

AN ACT concerning regulation.

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

Section 3. The Illinois Banking Act is amended by changing Section 48 as follows:

(205 ILCS 5/48)

Sec. 48. Secretary's powers; duties. The Secretary shall have the powers and authority, and is charged with the duties and responsibilities designated in this Act, and a State bank shall not be subject to any other visitorial power other than as authorized by this Act, except those vested in the courts, or upon prior consultation with the Secretary, a foreign bank regulator with an appropriate supervisory interest in the parent or affiliate of a state bank. In the performance of the Secretary's duties:

(1) The Commissioner shall call for statements from all State banks as provided in Section 47 at least one time during each calendar quarter.

(2) (a) The Commissioner, as often as the Commissioner shall deem necessary or proper, and no less frequently than 18 months following the preceding examination, shall appoint a suitable person or persons to make an examination of the affairs of every State bank, except that for every eligible

State bank, as defined by regulation, the Commissioner in lieu of the examination may accept on an alternating basis the examination made by the eligible State bank's appropriate federal banking agency pursuant to Section 111 of the Federal Deposit Insurance Corporation Improvement Act of 1991, provided the appropriate federal banking agency has made such an examination. A person so appointed shall not be a stockholder or officer or employee of any bank which that person may be directed to examine, and shall have powers to make a thorough examination into all the affairs of the bank and in so doing to examine any of the officers or agents or employees thereof on oath and shall make a full and detailed report of the condition of the bank to the Commissioner. In making the examination the examiners shall include an examination of the affairs of all the affiliates of the bank, as defined in subsection (b) of Section 35.2 of this Act, or subsidiaries of the bank as shall be necessary to disclose fully the conditions of the subsidiaries or affiliates, the relations between the bank and the subsidiaries or affiliates and the effect of those relations upon the affairs of the bank, and in connection therewith shall have power to examine any of the officers, directors, agents, or employees of the subsidiaries or affiliates on oath. After May 31, 1997, the Commissioner may enter into cooperative agreements with state regulatory authorities of other states to provide for examination of State bank branches in those states, and the

Commissioner may accept reports of examinations of State bank branches from those state regulatory authorities. These cooperative agreements may set forth the manner in which the other state regulatory authorities may be compensated for examinations prepared for and submitted to the Commissioner.

(b) After May 31, 1997, the Commissioner is authorized to examine, as often as the Commissioner shall deem necessary or proper, branches of out-of-state banks. The Commissioner may establish and may assess fees to be paid to the Commissioner for examinations under this subsection (b). The fees shall be borne by the out-of-state bank, unless the fees are borne by the state regulatory authority that chartered the out-of-state bank, as determined by a cooperative agreement between the Commissioner and the state regulatory authority that chartered the out-of-state bank.

(2.1) Pursuant to paragraph (a) of subsection (6) of this Section, the Secretary shall adopt rules that ensure consistency and due process in the examination process. The Secretary may also establish guidelines that (i) define the scope of the examination process and (ii) clarify examination items to be resolved. The rules, formal guidance, interpretive letters, or opinions furnished to State banks by the Secretary may be relied upon by the State banks.

(2.5) Whenever any State bank, any subsidiary or affiliate of a State bank, or after May 31, 1997, any branch of an out-of-state bank causes to be performed, by contract or

otherwise, any bank services for itself, whether on or off its premises:

(a) that performance shall be subject to examination by the Commissioner to the same extent as if services were being performed by the bank or, after May 31, 1997, branch of the out-of-state bank itself on its own premises; and

(b) the bank or, after May 31, 1997, branch of the out-of-state bank shall notify the Commissioner of the existence of a service relationship. The notification shall be submitted with the first statement of condition (as required by Section 47 of this Act) due after the making of the service contract or the performance of the service, whichever occurs first. The Commissioner shall be notified of each subsequent contract in the same manner.

For purposes of this subsection (2.5), the term "bank services" means services such as sorting and posting of checks and deposits, computation and posting of interest and other credits and charges, preparation and mailing of checks, statements, notices, and similar items, or any other clerical, bookkeeping, accounting, statistical, or similar functions performed for a State bank, including but not limited to electronic data processing related to those bank services.

(3) The expense of administering this Act, including the expense of the examinations of State banks as provided in this Act, shall to the extent of the amounts resulting from the fees provided for in paragraphs (a), (a-2), and (b) of this

subsection (3) be assessed against and borne by the State banks:

(a) Each bank shall pay to the Secretary a Call Report Fee which shall be paid in quarterly installments equal to one-fourth of the sum of the annual fixed fee of \$800, plus a variable fee based on the assets shown on the quarterly statement of condition delivered to the Secretary in accordance with Section 47 for the preceding quarter according to the following schedule: 16¢ per \$1,000 of the first \$5,000,000 of total assets, 15¢ per \$1,000 of the next \$20,000,000 of total assets, 13¢ per \$1,000 of the next \$75,000,000 of total assets, 9¢ per \$1,000 of the next \$400,000,000 of total assets, 7¢ per \$1,000 of the next \$500,000,000 of total assets, and 5¢ per \$1,000 of all assets in excess of \$1,000,000,000, of the State bank. The Call Report Fee shall be calculated by the Secretary and billed to the banks for remittance at the time of the quarterly statements of condition provided for in Section 47. The Secretary may require payment of the fees provided in this Section by an electronic transfer of funds or an automatic debit of an account of each of the State banks. In case more than one examination of any bank is deemed by the Secretary to be necessary in any examination frequency cycle specified in subsection 2(a) of this Section, and is performed at his direction, the Secretary may assess a reasonable additional fee to recover the cost of the

additional examination; provided, however, that an examination conducted at the request of the State Treasurer pursuant to the Uniform Disposition of Unclaimed Property Act shall not be deemed to be an additional examination under this Section. In lieu of the method and amounts set forth in this paragraph (a) for the calculation of the Call Report Fee, the Secretary may specify by rule that the Call Report Fees provided by this Section may be assessed semiannually or some other period and may provide in the rule the formula to be used for calculating and assessing the periodic Call Report Fees to be paid by State banks.

(a-1) If in the opinion of the Commissioner an emergency exists or appears likely, the Commissioner may assign an examiner or examiners to monitor the affairs of a State bank with whatever frequency he deems appropriate, including but not limited to a daily basis. The reasonable and necessary expenses of the Commissioner during the period of the monitoring shall be borne by the subject bank. The Commissioner shall furnish the State bank a statement of time and expenses if requested to do so within 30 days of the conclusion of the monitoring period.

(a-2) On and after January 1, 1990, the reasonable and necessary expenses of the Commissioner during examination of the performance of electronic data processing services under subsection (2.5) shall be borne by the banks for which the services are provided. An amount, based upon a

fee structure prescribed by the Commissioner, shall be paid by the banks or, after May 31, 1997, branches of out-of-state banks receiving the electronic data processing services along with the Call Report Fee assessed under paragraph (a) of this subsection (3).

(a-3) After May 31, 1997, the reasonable and necessary expenses of the Commissioner during examination of the performance of electronic data processing services under subsection (2.5) at or on behalf of branches of out-of-state banks shall be borne by the out-of-state banks, unless those expenses are borne by the state regulatory authorities that chartered the out-of-state banks, as determined by cooperative agreements between the Commissioner and the state regulatory authorities that chartered the out-of-state banks.

(b) "Fiscal year" for purposes of this Section 48 is defined as a period beginning July 1 of any year and ending June 30 of the next year. The Commissioner shall receive for each fiscal year, commencing with the fiscal year ending June 30, 1987, a contingent fee equal to the lesser of the aggregate of the fees paid by all State banks under paragraph (a) of subsection (3) for that year, or the amount, if any, whereby the aggregate of the administration expenses, as defined in paragraph (c), for that fiscal year exceeds the sum of the aggregate of the fees payable by all State banks for that year under paragraph (a) of subsection

(3), plus any amounts transferred into the Bank and Trust Company Fund from the State Pensions Fund for that year, plus all other amounts collected by the Commissioner for that year under any other provision of this Act, plus the aggregate of all fees collected for that year by the Commissioner under the Corporate Fiduciary Act, excluding the receivership fees provided for in Section 5-10 of the Corporate Fiduciary Act, and the Foreign Banking Office Act. The aggregate amount of the contingent fee thus arrived at for any fiscal year shall be apportioned amongst, assessed upon, and paid by the State banks and foreign banking corporations, respectively, in the same proportion that the fee of each under paragraph (a) of subsection (3), respectively, for that year bears to the aggregate for that year of the fees collected under paragraph (a) of subsection (3). The aggregate amount of the contingent fee, and the portion thereof to be assessed upon each State bank and foreign banking corporation, respectively, shall be determined by the Commissioner and shall be paid by each, respectively, within 120 days of the close of the period for which the contingent fee is computed and is payable, and the Commissioner shall give 20 days advance notice of the amount of the contingent fee payable by the State bank and of the date fixed by the Commissioner for payment of the fee.

(c) The "administration expenses" for any fiscal year

shall mean the ordinary and contingent expenses for that year incident to making the examinations provided for by, and for otherwise administering, this Act, the Corporate Fiduciary Act, excluding the expenses paid from the Corporate Fiduciary Receivership account in the Bank and Trust Company Fund, the Foreign Banking Office Act, the Electronic Fund Transfer Act, and the Illinois Bank Examiners' Education Foundation Act, including all salaries and other compensation paid for personal services rendered for the State by officers or employees of the State, including the Commissioner and the Deputy Commissioners, communication equipment and services, office furnishings, surety bond premiums, and travel expenses of those officers and employees, employees, expenditures or charges for the acquisition, enlargement or improvement of, or for the use of, any office space, building, or structure, or expenditures for the maintenance thereof or for furnishing heat, light, or power with respect thereto, all to the extent that those expenditures are directly incidental to such examinations or administration. The Commissioner shall not be required by paragraphs (c) or (d-1) of this subsection (3) to maintain in any fiscal year's budget appropriated reserves for accrued vacation and accrued sick leave that is required to be paid to employees of the Commissioner upon termination of their service with the Commissioner in an

amount that is more than is reasonably anticipated to be necessary for any anticipated turnover in employees, whether due to normal attrition or due to layoffs, terminations, or resignations.

(d) The aggregate of all fees collected by the Secretary under this Act, the Corporate Fiduciary Act, or the Foreign Banking Office Act on and after July 1, 1979, shall be paid promptly after receipt of the same, accompanied by a detailed statement thereof, into the State treasury and shall be set apart in a special fund to be known as the "Bank and Trust Company Fund", except as provided in paragraph (c) of subsection (11) of this Section. All earnings received from investments of funds in the Bank and Trust Company Fund shall be deposited in the Bank and Trust Company Fund and may be used for the same purposes as fees deposited in that Fund. The amount from time to time deposited into the Bank and Trust Company Fund shall be used: (i) to offset the ordinary administrative expenses of the Secretary as defined in this Section or (ii) as a credit against fees under paragraph (d-1) of this subsection (3). Nothing in this amendatory Act of 1979 shall prevent continuing the practice of paying expenses involving salaries, retirement, social security, and State-paid insurance premiums of State officers by appropriations from the General Revenue Fund. However, the General Revenue Fund shall be reimbursed for those payments

made on and after July 1, 1979, by an annual transfer of funds from the Bank and Trust Company Fund. Moneys in the Bank and Trust Company Fund may be transferred to the Professions Indirect Cost Fund, as authorized under Section 2105-300 of the Department of Professional Regulation Law of the Civil Administrative Code of Illinois.

Notwithstanding provisions in the State Finance Act, as now or hereafter amended, or any other law to the contrary, the sum of \$18,788,847 shall be transferred from the Bank and Trust Company Fund to the Financial Institutions Settlement of 2008 Fund on the effective date of this amendatory Act of the 95th General Assembly, or as soon thereafter as practical.

Notwithstanding provisions in the State Finance Act, as now or hereafter amended, or any other law to the contrary, the Governor may, during any fiscal year through January 10, 2011, from time to time direct the State Treasurer and Comptroller to transfer a specified sum not exceeding 10% of the revenues to be deposited into the Bank and Trust Company Fund during that fiscal year from that Fund to the General Revenue Fund in order to help defray the State's operating costs for the fiscal year. Notwithstanding provisions in the State Finance Act, as now or hereafter amended, or any other law to the contrary, the total sum transferred during any fiscal year through

January 10, 2011, from the Bank and Trust Company Fund to the General Revenue Fund pursuant to this provision shall not exceed during any fiscal year 10% of the revenues to be deposited into the Bank and Trust Company Fund during that fiscal year. The State Treasurer and Comptroller shall transfer the amounts designated under this Section as soon as may be practicable after receiving the direction to transfer from the Governor.

(d-1) Adequate funds shall be available in the Bank and Trust Company Fund to permit the timely payment of administration expenses. In each fiscal year the total administration expenses shall be deducted from the total fees collected by the Commissioner and the remainder transferred into the Cash Flow Reserve Account, unless the balance of the Cash Flow Reserve Account prior to the transfer equals or exceeds one-fourth of the total initial appropriations from the Bank and Trust Company Fund for the subsequent year, in which case the remainder shall be credited to State banks and foreign banking corporations and applied against their fees for the subsequent year. The amount credited to each State bank and foreign banking corporation shall be in the same proportion as the Call Report Fees paid by each for the year bear to the total Call Report Fees collected for the year. If, after a transfer to the Cash Flow Reserve Account is made or if no remainder is available for transfer, the balance of the

Cash Flow Reserve Account is less than one-fourth of the total initial appropriations for the subsequent year and the amount transferred is less than 5% of the total Call Report Fees for the year, additional amounts needed to make the transfer equal to 5% of the total Call Report Fees for the year shall be apportioned amongst, assessed upon, and paid by the State banks and foreign banking corporations in the same proportion that the Call Report Fees of each, respectively, for the year bear to the total Call Report Fees collected for the year. The additional amounts assessed shall be transferred into the Cash Flow Reserve Account. For purposes of this paragraph (d-1), the calculation of the fees collected by the Commissioner shall exclude the receivership fees provided for in Section 5-10 of the Corporate Fiduciary Act.

(e) The Commissioner may upon request certify to any public record in his keeping and shall have authority to levy a reasonable charge for issuing certifications of any public record in his keeping.

(f) In addition to fees authorized elsewhere in this Act, the Commissioner may, in connection with a review, approval, or provision of a service, levy a reasonable charge to recover the cost of the review, approval, or service.

(4) Nothing contained in this Act shall be construed to limit the obligation relative to examinations and reports of

any State bank, deposits in which are to any extent insured by the United States or any agency thereof, nor to limit in any way the powers of the Commissioner with reference to examinations and reports of that bank.

(5) The nature and condition of the assets in or investment of any bonus, pension, or profit sharing plan for officers or employees of every State bank or, after May 31, 1997, branch of an out-of-state bank shall be deemed to be included in the affairs of that State bank or branch of an out-of-state bank subject to examination by the Commissioner under the provisions of subsection (2) of this Section, and if the Commissioner shall find from an examination that the condition of or operation of the investments or assets of the plan is unlawful, fraudulent, or unsafe, or that any trustee has abused his trust, the Commissioner shall, if the situation so found by the Commissioner shall not be corrected to his satisfaction within 60 days after the Commissioner has given notice to the board of directors of the State bank or out-of-state bank of his findings, report the facts to the Attorney General who shall thereupon institute proceedings against the State bank or out-of-state bank, the board of directors thereof, or the trustees under such plan as the nature of the case may require.

(6) The Commissioner shall have the power:

(a) To promulgate reasonable rules for the purpose of administering the provisions of this Act.

(a-5) To impose conditions on any approval issued by

the Commissioner if he determines that the conditions are necessary or appropriate. These conditions shall be imposed in writing and shall continue in effect for the period prescribed by the Commissioner.

(b) To issue orders against any person, if the Commissioner has reasonable cause to believe that an unsafe or unsound banking practice has occurred, is occurring, or is about to occur, if any person has violated, is violating, or is about to violate any law, rule, or written agreement with the Commissioner, or for the purpose of administering the provisions of this Act and any rule promulgated in accordance with this Act.

(b-1) To enter into agreements with a bank establishing a program to correct the condition of the bank or its practices.

(c) To appoint hearing officers to execute any of the powers granted to the Commissioner under this Section for the purpose of administering this Act and any rule promulgated in accordance with this Act and otherwise to authorize, in writing, an officer or employee of the Office of Banks and Real Estate to exercise his powers under this Act.

(d) To subpoena witnesses, to compel their attendance, to administer an oath, to examine any person under oath, and to require the production of any relevant books, papers, accounts, and documents in the course of and

pursuant to any investigation being conducted, or any action being taken, by the Commissioner in respect of any matter relating to the duties imposed upon, or the powers vested in, the Commissioner under the provisions of this Act or any rule promulgated in accordance with this Act.

(e) To conduct hearings.

(7) Whenever, in the opinion of the Secretary, any director, officer, employee, or agent of a State bank or any subsidiary or bank holding company of the bank or, after May 31, 1997, of any branch of an out-of-state bank or any subsidiary or bank holding company of the bank shall have violated any law, rule, or order relating to that bank or any subsidiary or bank holding company of the bank, shall have obstructed or impeded any examination or investigation by the Secretary, shall have engaged in an unsafe or unsound practice in conducting the business of that bank or any subsidiary or bank holding company of the bank, or shall have violated any law or engaged or participated in any unsafe or unsound practice in connection with any financial institution or other business entity such that the character and fitness of the director, officer, employee, or agent does not assure reasonable promise of safe and sound operation of the State bank, the Secretary may issue an order of removal. If, in the opinion of the Secretary, any former director, officer, employee, or agent of a State bank or any subsidiary or bank holding company of the bank, prior to the termination of his or

her service with that bank or any subsidiary or bank holding company of the bank, violated any law, rule, or order relating to that State bank or any subsidiary or bank holding company of the bank, obstructed or impeded any examination or investigation by the Secretary, engaged in an unsafe or unsound practice in conducting the business of that bank or any subsidiary or bank holding company of the bank, or violated any law or engaged or participated in any unsafe or unsound practice in connection with any financial institution or other business entity such that the character and fitness of the director, officer, employee, or agent would not have assured reasonable promise of safe and sound operation of the State bank, the Secretary may issue an order prohibiting that person from further service with a bank or any subsidiary or bank holding company of the bank as a director, officer, employee, or agent. An order issued pursuant to this subsection shall be served upon the director, officer, employee, or agent. A copy of the order shall be sent to each director of the bank affected by registered mail. A copy of the order shall also be served upon the bank of which he is a director, officer, employee, or agent, whereupon he shall cease to be a director, officer, employee, or agent of that bank. The Secretary may institute a civil action against the director, officer, or agent of the State bank or, after May 31, 1997, of the branch of the out-of-state bank against whom any order provided for by this subsection (7) of this Section 48 has been issued, and

against the State bank or, after May 31, 1997, out-of-state bank, to enforce compliance with or to enjoin any violation of the terms of the order. Any person who has been the subject of an order of removal or an order of prohibition issued by the Secretary under this subsection or Section 5-6 of the Corporate Fiduciary Act may not thereafter serve as director, officer, employee, or agent of any State bank or of any branch of any out-of-state bank, or of any corporate fiduciary, as defined in Section 1-5.05 of the Corporate Fiduciary Act, or of any other entity that is subject to licensure or regulation by the Division of Banking unless the Secretary has granted prior approval in writing.

For purposes of this paragraph (7), "bank holding company" has the meaning prescribed in Section 2 of the Illinois Bank Holding Company Act of 1957.

(8) The Commissioner may impose civil penalties of up to \$100,000 against any person for each violation of any provision of this Act, any rule promulgated in accordance with this Act, any order of the Commissioner, or any other action which in the Commissioner's discretion is an unsafe or unsound banking practice.

(9) The Commissioner may impose civil penalties of up to \$100 against any person for the first failure to comply with reporting requirements set forth in the report of examination of the bank and up to \$200 for the second and subsequent failures to comply with those reporting requirements.

(10) All final administrative decisions of the Commissioner hereunder shall be subject to judicial review pursuant to the provisions of the Administrative Review Law. For matters involving administrative review, venue shall be in either Sangamon County or Cook County.

(11) The endowment fund for the Illinois Bank Examiners' Education Foundation shall be administered as follows:

(a) (Blank).

(b) The Foundation is empowered to receive voluntary contributions, gifts, grants, bequests, and donations on behalf of the Illinois Bank Examiners' Education Foundation from national banks and other persons for the purpose of funding the endowment of the Illinois Bank Examiners' Education Foundation.

(c) The aggregate of all special educational fees collected by the Secretary and property received by the Secretary on behalf of the Illinois Bank Examiners' Education Foundation under this subsection (11) on or after June 30, 1986, shall be either (i) promptly paid after receipt of the same, accompanied by a detailed statement thereof, into the State Treasury and shall be set apart in a special fund to be known as "The Illinois Bank Examiners' Education Fund" to be invested by either the Treasurer of the State of Illinois in the Public Treasurers' Investment Pool or in any other investment he is authorized to make or by the Illinois State Board of Investment as the State

Banking Board of Illinois may direct or (ii) deposited into an account maintained in a commercial bank or corporate fiduciary in the name of the Illinois Bank Examiners' Education Foundation pursuant to the order and direction of the Board of Trustees of the Illinois Bank Examiners' Education Foundation.

(12) (Blank).

(13) The Secretary may borrow funds from the General Revenue Fund on behalf of the Bank and Trust Company Fund if the Director of Banking certifies to the Governor that there is an economic emergency affecting banking that requires a borrowing to provide additional funds to the Bank and Trust Company Fund. The borrowed funds shall be paid back within 3 years and shall not exceed the total funding appropriated to the Agency in the previous year.

(Source: P.A. 96-1163, eff. 1-1-11; 96-1365, eff. 7-28-10; 97-333, eff. 8-12-11.)

Section 4. The Savings Bank Act is amended by changing Section 9004 as follows:

(205 ILCS 205/9004) (from Ch. 17, par. 7309-4)

Sec. 9004. Examination.

(a) At least once every 18 months or more often if it is deemed necessary or expedient, the Secretary shall examine the books, records, operations, and affairs of each savings bank

operating under this Act. In the course of the examination, the Secretary may also examine in the same manner all entities, companies, and individuals which or whom the Secretary determines may have a relationship with the savings bank or any subsidiary or entity affiliated with it, if the relationship may adversely affect the affairs, activities, and safety and soundness of the savings bank, including: (i) companies controlled by the savings bank; (ii) entities, including companies controlled by the company, individual, or individuals that control the savings bank; and (iii) the company or other entity which controls or owns the savings bank. Notwithstanding any other provision of this Act, every savings bank, as defined by rule, or, if not defined, to the same extent as would be permitted in the case of a State bank, the Secretary, in lieu of the examination, may accept on an alternating basis the examination made by the eligible savings bank's appropriate federal banking agency pursuant to Section 111 of the Federal Deposit Insurance Corporation Improvement Act of 1991, provided the appropriate federal banking agency has made an examination.

(b) The Secretary shall examine to determine:

(1) Quality of financial condition, including safety and soundness and investment and loan quality.

(2) Compliance with this Act and other applicable statutes and regulations.

(3) Quality of management policies.

(4) Overall safety and soundness of the savings bank, its parent, subsidiaries, and affiliates.

(5) Remedial actions required to correct and to restore compliance with applicable statutes, regulations, and proper business policies.

(c) The Secretary may promulgate regulations to implement and administer this Section.

(d) If a savings bank, its holding company, or any of its corporate subsidiaries has not been audited at least once in the 12 months prior to the Secretary's examination, the Secretary may cause an audit of the savings bank's books and records to be made by an independent licensed public accountant. The cost of the audit shall be paid for by the entity being audited.

(e) The Secretary or his or her examiners or other formally designated agents are authorized to administer oaths and to examine and to take and preserve testimony under oath as to anything in the affairs or ownership of any savings bank or institution or affiliate thereof.

(f) Pursuant to subsection (c) of this Section, the Secretary shall adopt rules that ensure consistency and due process in the examination process. The Secretary may also establish guidelines that (i) define the scope of the examination process and (ii) clarify examination items to be resolved. The rules, formal guidance, interpretive letters, or opinions furnished to savings banks by the Secretary may be

relied upon by the savings banks.

(Source: P.A. 96-1365, eff. 7-28-10; 97-492, eff. 1-1-12.)

Section 5. The Illinois Credit Union Act is amended by changing Sections 1.1, 9, 30, 34, 39, and 46 and by adding Section 57.1 as follows:

(205 ILCS 305/1.1) (from Ch. 17, par. 4402)

Sec. 1.1. Definitions.

Credit Union - The term "credit union" means a cooperative, non-profit association, incorporated under this Act, under the laws of the United States of America or under the laws of another state, for the purposes of encouraging thrift among its members, creating a source of credit at a reasonable rate of interest, and providing an opportunity for its members to use and control their own money in order to improve their economic and social conditions. The membership of a credit union shall consist of a group or groups each having a common bond as set forth in this Act.

Common Bond - The term "common bond" refers to groups of people who meet one of the following qualifications:

(1) Persons belonging to a specific association, group or organization, such as a church, labor union, club or society and members of their immediate families which shall include any relative by blood or marriage or foster and adopted children.

(2) Persons who reside in a reasonably compact and well defined neighborhood or community, and members of their immediate families which shall include any relative by blood or marriage or foster and adopted children.

(3) Persons who have a common employer or who are members of an organized labor union or an organized occupational or professional group within a defined geographical area, and members of their immediate families which shall include any relative by blood or marriage or foster and adopted children.

Shares - The term "shares" or "share accounts" means any form of shares issued by a credit union and established by a member in accordance with standards specified by a credit union, including but not limited to common shares, share draft accounts, classes of shares, share certificates, special purpose share accounts, shares issued in trust, custodial accounts, and individual retirement accounts or other plans established pursuant to Section 401(d) or (f) or Section 408(a) of the Internal Revenue Code, as now or hereafter amended, or similar provisions of any tax laws of the United States that may hereafter exist.

Credit Union Organization - The term "credit union organization" means any organization established to serve the needs of credit unions, the business of which relates to the daily operations of credit unions.

Department - The term "Department" means the Illinois

Department of Financial and Professional Regulation.

Secretary - The term "Secretary" means the Secretary of Financial and Professional Regulation or a person authorized by the Secretary or this Act to act in the Secretary's stead.

Division of Financial Institutions - The term "Division of Financial Institutions" means the Division of Financial Institutions of the Department of Financial and Professional Regulation.

Director - The term "Director of Financial Institutions" means the Director of the Division of Financial Institutions of the Department of Financial and Professional Regulation.

Office - The term "office" means the Division of Financial Institutions of the Department of Financial and Professional Regulation.

NCUA - The term "NCUA" means the National Credit Union Administration, an agency of the United States Government charged with the supervision of credit unions chartered under the laws of the United States of America.

Central Credit Union - The term "central credit union" means a credit union incorporated primarily to receive shares from and make loans to credit unions and directors, officers, committee members and employees of credit unions. A central credit union may also accept as members persons who were members of credit unions which were liquidated and persons from occupational groups not otherwise served by another credit union.

Corporate Credit Union - The term "corporate credit union" means a credit union which is a cooperative, non-profit association, the membership of which is limited primarily to other credit unions.

Insolvent - "Insolvent" means the condition that results when the total of all liabilities and shares exceeds net assets of the credit union.

Danger of insolvency - For purposes of Section 61, a credit union is in "danger of insolvency" if its net worth to asset ratio falls below 2%. In calculating the danger of insolvency ratio, secondary capital shall be excluded. For purposes of Section 61, a credit union is also in "danger of insolvency" if the Department is unable to ascertain, upon examination, the true financial condition of the credit union.

Net Worth - "Net worth" means the retained earnings balance of the credit union, as determined under generally accepted accounting principles, and forms of secondary capital approved by the Secretary and the Director pursuant to rulemaking.

Charitable Donation Account - The term "charitable donation account" means an account owned by a credit union that is held in a segregated custodial account or special purpose entity and specifically identified as a charitable donation account whereby, no less frequently than every 5 years and upon termination of the account, at least 51% of the total return on assets in the account is distributed to one or more charitable organizations or non-profit entities.

(Source: P.A. 97-133, eff. 1-1-12.)

(205 ILCS 305/9) (from Ch. 17, par. 4410)

Sec. 9. Reports and examinations.

(1) Credit unions shall report to the Department on forms supplied by the Department, in accordance with a schedule published by the Department. A recapitulation of the annual reports shall be compiled and published annually by the Department, for the use of the General Assembly, credit unions, various educational institutions and other interested parties. A credit union which fails to file any report when due shall pay to the Department a late filing fee for each day the report is overdue as prescribed by rule. The Secretary may extend the time for filing a report.

(2) The Secretary may require special examinations of and special financial reports from a credit union or a credit union organization in which a credit union loans, invests, or delegates substantially all managerial duties and responsibilities when he determines that such examinations and reports are necessary to enable the Department to determine the safety of a credit union's operation or its solvency. The cost to the Department of the aforesaid special examinations shall be borne by the credit union being examined as prescribed by rule.

(3) All credit unions incorporated under this Act shall be examined at least biennially by the Department or, at the

discretion of the Secretary, by a public accountant registered by the Department of Financial and Professional Regulation. The costs of an examination shall be paid by the credit union. The scope of all examinations by a public accountant shall be at least equal to the examinations made by the Department. The examiners shall have full access to, and may compel the production of, all the books, papers, securities and accounts of any credit union. A special examination shall be made by the Department or by a public accountant approved by the Department upon written request of 5 or more members, who guarantee the expense of the same. Any credit union refusing to submit to an examination when ordered by the Department shall be reported to the Attorney General, who shall institute proceedings to have its charter revoked. If the Secretary determines that the examination of a credit union is to be conducted by a public accountant registered by the Department of Financial and Professional Regulation and the examination is done in conjunction with the credit union's external independent audit of financial statements, the requirements of this Section and subsection (3) of Section 34 shall be deemed met.

(3.5) Pursuant to Section 8, the Secretary shall adopt rules that ensure consistency and due process in the examination process. The Secretary may also establish guidelines that (i) define the scope of the examination process and (ii) clarify examination items to be resolved. The rules, formal guidance, interpretative letters, or opinions furnished

to credit unions by the Secretary may be relied upon by the credit unions.

(4) A copy of the completed report of examination and a review comment letter, if any, citing exceptions revealed during the examination, shall be submitted to the credit union by the Department. A detailed report stating the corrective actions taken by the board of directors on each exception set forth in the review comment letter shall be filed with the Department within 40 days after the date of the review comment letter, or as otherwise directed by the Department. Any credit union through its officers, directors, committee members or employees, which willfully provides fraudulent or misleading information regarding the corrective actions taken on exceptions appearing in a review comment letter may have its operations restricted to the collection of principal and interest on loans outstanding and the payment of normal expenses and salaries until all exceptions are corrected and accepted by the Department.

(Source: P.A. 97-133, eff. 1-1-12.)

(205 ILCS 305/30) (from Ch. 17, par. 4431)

Sec. 30. Duties of directors.

(a) It shall be the duty of the directors to:

(1) Review actions on applications for membership. A record of the membership committee's approval or denial of membership or management's approval or denial of

membership if no membership committee has been appointed shall be available to the board of directors for inspection. A person denied membership by the membership committee or credit union management may appeal the denial to the board;

(2) Provide adequate fidelity bond coverage for officers, employees, directors and committee members, and for losses caused by persons outside of the credit union, subject to rules and regulations promulgated by the Secretary;

(3) Determine from time to time the interest rates, not in excess of that allowed under this Act, which shall be charged on loans to members and to authorize interest refunds, if any, to members from income earned and received in proportion to the interest paid by them on such classes of loans and under such conditions as the board prescribes. The directors may establish different interest rates to be charged on different classes of loans;

(4) Within any limitations set forth in the credit union's bylaws, fix the maximum amount which may be loaned with and without security to a member;

(5) Declare dividends on various classes of shares in the manner and form as provided in the bylaws;

(6) Limit the number of shares which may be owned by a member; such limitations to apply alike to all members;

(7) Have charge of the investment of funds, except that

the board of directors may designate an investment committee or any qualified individual or entity to have charge of making investments under policies established by the board of directors;

(8) Authorize the employment of or contracting with such persons or organizations as may be necessary to carry on the operations of the credit union, provided that prior approval is received from the Department before delegating substantially all managerial duties and responsibilities to a credit union organization, and fix the compensation, if any, of the officers and provide for compensation for other employees within policies established by the board of directors;

(9) Authorize the conveyance of property;

(10) Borrow or lend money consistent with the provisions of this Act;

(11) Designate a depository or depositories for the funds of the credit union and supervise the investment of funds;

(12) Suspend or remove, or both, any or all officers or any or all members of the membership, credit, or other committees whenever, in the judgment of the board of directors, the best interests of the credit union will be served thereby; provided that members of the supervisory committee may not be suspended or removed except for failure to perform their duties; and provided that removal

of any officer shall be without prejudice to the contract rights, if any, of the person so removed;

(13) Appoint any special committees deemed necessary;
and

(14) Perform such other duties as the members may direct, and perform or authorize any action not inconsistent with this Act and not specifically reserved by the bylaws to the members.

(b) The board of directors may delegate to the chief management official, according to guidelines established by the board that may include the authority to further delegate one or more duties, all of the following duties:

(1) determining the interest rates on loans;

(2) determining the dividend rates on share accounts;

and

(3) hiring employees other than the chief management official and fixing their compensation.

(c) Each director shall have a working familiarity with basic finance and accounting practices consistent with the size and complexity of the credit union operation they serve, including the ability to read and understand the credit union's balance sheet and income and expense statements and the ability to ask, when appropriate, substantive questions of management and auditors. For the purposes of this subsection (c), substantive questions include queries concerning financial services and products offered to the membership; how those

activities generate revenue for the credit union; the credit, liquidity, interest rate, compliance, strategic, transaction, and reputation risks associated with those activities; and the internal control structures maintained by the credit union that limit and manage those risks.

A director who was elected or appointed on or after January 1, 2015 and who comes to the position without the requisite financial skills shall have until 6 months after the date of election or appointment to acquire the enumerated skills.

An incumbent director who was elected or appointed before January 1, 2015 and does not possess the requisite financial skills shall have until July 1, 2015 to acquire the enumerated skills.

An incumbent director or a director who is elected or appointed on or after January 1, 2015 who already understands his or her credit union's financial statements shall not be required to do anything further to satisfy the financial skills requirement set forth in subsection (c).

It is the intent of the Department that all credit union directors possess a basic understanding of their credit union's financial condition. It is not the intent of the Department to subject credit union directors to examiner scrutiny of their financial skills. Rather, the Department shall evaluate whether the credit union has in place a policy to make available to their directors appropriate training to enhance their financial knowledge of the credit union. Directors may

receive the training through internal credit union training, external training offered by the credit union's retained auditors, trade associations, vendors, regulatory agencies, or any other sources or on-the-job experience, or a combination of those activities. The training may be received through any medium, including, but not limited to, conferences, workshops, audit closing meetings, seminars, teleconferences, webinars, and other internet based delivery channels.

(Source: P.A. 97-133, eff. 1-1-12.)

(205 ILCS 305/34) (from Ch. 17, par. 4435)

Sec. 34. Duties of supervisory committee.

(1) The supervisory committee shall make or cause to be made an annual internal audit of the books and affairs of the credit union to determine that the credit union's accounting records and reports are prepared promptly and accurately reflect operations and results, that internal controls are established and effectively maintained to safeguard the assets of the credit union, and that the policies, procedures and practices established by the board of directors and management of the credit union are being properly administered. The supervisory committee shall submit a report of that audit to the board of directors and a summary of that report to the members at the next annual meeting of the credit union. It shall make or cause to be made such supplementary audits as it deems necessary or as are required by the Secretary or by the

board of directors, and submit reports of these supplementary audits to the Secretary or board of directors as applicable. If the supervisory committee has not engaged a public accountant registered by the Department of Financial and Professional Regulation to make the internal audit, the supervisory committee or other officials of the credit union shall not indicate or in any manner imply that such audit has been performed by a public accountant or that the audit represents the independent opinion of a public accountant. The supervisory committee must retain its tapes and working papers of each internal audit for inspection by the Department. The report of this audit must be made on a form approved by the Secretary. A copy of the report must be promptly mailed to the Secretary.

(2) The supervisory committee shall make or cause to be made at least once each year a reasonable percentage verification of members' share and loan accounts, consistent with rules promulgated by the Secretary.

(3) The supervisory committee of a credit union with assets of \$5,000,000 or more shall engage a public accountant registered by the Department of Financial and Professional Regulation to perform an annual external independent audit of the credit union's financial statements in accordance with generally accepted auditing standards. The supervisory committee of a credit union with assets of \$3,000,000 or more, but less than \$5,000,000, shall engage a public accountant registered by the Department of Financial and Professional

Regulation to perform an external independent audit of the credit union's financial statements in accordance with generally accepted auditing standards at least once every 3 years. A copy of an external independent audit shall be completed and mailed to the Secretary no later than 90 days after December 31 of each year; provided that a credit union or group of credit unions may obtain an extension of the due date upon application to and receipt of written approval from the Secretary. If the annual internal audit of such a credit union is conducted by a public accountant registered by the Department of Financial and Professional Regulation and the annual internal audit is done in conjunction with the credit union's annual external audit, the requirements of subsection (1) of this Section shall be deemed met.

(4) In determining the appropriate balance in the allowance for loan losses account, a credit union may determine its historical loss rate using a defined period of time of less than 5 years, provided that:

(A) the methodology used to determine the defined period of time is formally documented in the credit union's policies and procedures and is appropriate to the credit union's size, business strategy, and loan portfolio characteristics and the economic environment of the areas and employers served by the credit union;

(B) supporting documentation is maintained for the technique used to develop the credit union loss rates,

including the period of time used to accumulate historical loss data and the factors considered in establishing the time frames; and

(C) the external auditor conducting the credit union's financial statement audit has analyzed the methodology employed by the credit union and concludes that the financial statements, including the allowance for loan losses, are fairly stated in all material respects in accordance with U.S. Generally Accepted Accounting Principles, as promulgated by the Financial Accounting Standards Board.

(5) A majority of the members of the supervisory committee shall constitute a quorum.

(6) On an annual basis commencing January 1, 2015, the members of the supervisory committee shall receive training related to their statutory duties. Supervisory committee members may receive the training through internal credit union training, external training offered by the credit union's retained auditors, trade associations, vendors, regulatory agencies, or any other sources or on-the-job experience, or a combination of those activities. The training may be received through any medium, including, but not limited to, conferences, workshops, audit closing meetings, seminars, teleconferences, webinars, and other Internet-based delivery channels.

(Source: P.A. 96-141, eff. 8-7-09; 96-963, eff. 7-2-10; 97-133, eff. 1-1-12.)

(205 ILCS 305/39) (from Ch. 17, par. 4440)

Sec. 39. Special purpose share accounts; charitable donation accounts.

(1) If provided for in and consistent with the bylaws, Christmas clubs, vacation clubs and other special purpose share accounts may be established and offered under conditions and restrictions established by the board of directors.

(2) Pursuant to a policy adopted by the board of directors, which may be amended from time to time, a credit union may establish one or more charitable donation accounts. The investments and purchases to fund a charitable donation account are not subject to the investment limitations of this Act, provided the charitable donation account is structured in accordance with this Act. At their time of purchase, the book value of the investments in all charitable donation accounts, in the aggregate, shall not exceed 5% of the credit union's net worth.

(a) If a credit union chooses to establish a charitable donation account using a trust vehicle, the trustee must be an entity regulated by the Office of the Comptroller of the Currency, the U.S. Securities and Exchange Commission, another federal regulatory agency, or a State financial regulatory agency. A regulated trustee or other person who is authorized to make investment decisions for a charitable donation account, other than the credit union itself, shall

either be registered with the U.S. Securities and Exchange Commission as an investment advisor or regulated by the Office of the Comptroller of the Currency.

(b) The parties to the charitable donation account must document the terms and conditions controlling the account in a written operating agreement, trust agreement, or similar instrument. The terms of the agreement shall be consistent with the requirements and conditions set forth in this Section. The agreement, if applicable, and policies must document the investment strategies of the charitable donation account trustee or other manager in administering the charitable donation account and provide for the accounting of all aspects of the account, including its distributions and liquidation, in accordance with generally accepted accounting principles.

(c) A credit union's charitable donation account agreement, if applicable, and policies shall provide that the charitable organization or non-profit entity recipients of any charitable donation account funds must be identified in the policy and be exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.

(d) Upon termination of a charitable donation account, the credit union may receive a distribution of the remaining assets in cash, or a distribution in kind of the remaining assets, but only if those assets are permissible investments for credit unions pursuant to this Act.

(Source: P.A. 97-133, eff. 1-1-12.)

(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 in accordance with Section 30 of this Act 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 Secretary. 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 Secretary 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.

(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.

(6) Credit unions may make residential real estate mortgage loans on terms and conditions established by the United States

Department of Agriculture through its Rural Development Housing and Community Facilities Program. The portion of any loan in excess of the appraised value of the real estate shall be allocable only to the guarantee fee required under the program.

(7) For a renewal, refinancing, or restructuring of an existing loan that is secured by an interest or equity in real estate, a new appraisal of the collateral shall not be required when the transaction involves an existing extension of credit at the credit union, no new moneys are advanced other than funds necessary to cover reasonable closing costs, and there has been no obvious or material change in market conditions or physical aspects of the real estate that threatens the adequacy of the credit union's real estate collateral protection after the transaction.

(Source: P.A. 96-141, eff. 8-7-09; 97-133, eff. 1-1-12.)

(205 ILCS 305/57.1 new)

Sec. 57.1. Services to other credit unions.

(a) A credit union may act as a representative of and enter into an agreement with credit unions or other organizations for the purpose of:

(1) sharing, utilizing, renting, leasing, purchasing, selling, and joint ownership of fixed assets or engaging in activities and services that relate to the daily operations of credit unions; and

(2) providing correspondent services to other credit unions that the service provider credit union is authorized to perform for its own members or as part of its operations, including, but not limited to, loan processing, loan servicing, member check cashing services, disbursing share withdrawals and loan proceeds, cashing and selling money orders, ACH and wire transfer services, coin and currency services, performing internal audits, and automated teller machine deposit services.

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