

**101ST GENERAL ASSEMBLY****State of Illinois****2019 and 2020****SB1813**

Introduced 2/15/2019, by Sen. John G. Mulroe

SYNOPSIS AS INTRODUCED:

205 ILCS 305/10.2 new	
205 ILCS 305/15	from Ch. 17, par. 4416
205 ILCS 305/23	from Ch. 17, par. 4424
205 ILCS 305/44	from Ch. 17, par. 4445
205 ILCS 305/51	from Ch. 17, par. 4452
205 ILCS 305/57.1	
205 ILCS 305/59	from Ch. 17, par. 4460
205 ILCS 305/63	from Ch. 17, par. 4464

Amends the Illinois Credit Union Act. Provides that if the Act requires information to be written or delivered in writing, an electronic record or delivery satisfies the rule of law. Provides that if the Act requires a policy, record, notice, or other document or information to be mailed or otherwise furnished or disclosed by a credit union, electronic distribution or delivery satisfies the rule of law. Provides that a policy adopted by the board may delegate expulsion authority to senior management officials of the credit union. Provides that a member expelled by a senior management official may seek reinstatement by appealing the action within 30 days of expulsion to the board of directors, and that the board may affirm, disaffirm, or modify the action, and the board's decision is final. Provides that a credit union may invest in securities, obligations, or other instruments of or issued by entities properly registered with or licensed by the Department of Financial and Professional Regulation. Increases a credit union's aggregate loan amount and the total amount of funds not used in loans to members that may be invested in shares and stocks of Credit Union Service Organizations to 10% (instead of 3%) of the paid-in and unimpaired capital and surplus of the credit union. Modifies a credit union's investment limit in shares or stocks of Credit Union Service Organizations to not exceed 10% (instead of 3%) of the paid-in and unimpaired capital and surplus of the credit union or the amount authorized for federal credit unions. Makes other changes. Effective immediately.

LRB101 10992 HEP 56176 b

1 AN ACT concerning regulation.

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

4 Section 5. The Illinois Credit Union Act is amended by
5 changing Sections 15, 23, 44, 51, 57.1, 59, and 63 and by
6 adding Section 10.2 as follows:

7 (205 ILCS 305/10.2 new)

8 Sec. 10.2. Electronic records.

9 (a) As used in this Section, "electronic" and "electronic
10 record" have the meanings given to those terms in the
11 Electronic Commerce Security Act.

12 (b) If a provision of this Act requires information to be
13 written or delivered in writing, or provides for certain
14 consequences if it is not, an electronic record or electronic
15 delivery satisfies that rule of law.

16 (c) If a provision of this Act requires a policy, record,
17 notice or other document or information to be mailed or
18 otherwise furnished, posted, or disclosed by a credit union,
19 electronic delivery or distribution satisfies that rule of law.
20 Policies and notifications of general interest to or impact on
21 the membership may be posted on a credit union's website or
22 disclosed in membership newsletters or account statements, in
23 addition to, or in lieu of, any other methods of notification

1 or distribution specified in this Act.

2 (205 ILCS 305/15) (from Ch. 17, par. 4416)

3 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

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

4 (4) A member ~~who has caused a loss to the credit union,~~
5 ~~failed to maintain one or more shares at the credit union, or~~
6 ~~violated board policy applicable to members~~ may be expelled by
7 a majority vote of a quorum of directors if the board has
8 adopted a policy providing for expulsion for any of the
9 following acts committed by the member: under those
10 circumstances.

11 (i) causing a loss to the credit union;

12 (ii) failing to maintain one or more shares at the
13 credit union;

14 (iii) committing fraud or any similar misdeed against
15 the credit union;

16 (iv) engaging in inappropriate behavior involving
17 another person, such as physical or verbal abuse of another
18 member or an employee of the credit union, while
19 transacting business with the credit union; or

20 (v) otherwise violating board policy applicable to
21 members.

22 In maintaining and enforcing a policy based on loss, the
23 board may consider, without limitation, a member's failure to
24 pay amounts due under a loan, failure to provide collected
25 funds to cover withdrawals or personal share drafts or credit
26 union drafts where the member is a remitter, or failure to pay

1 fees or charges due the credit union.

2 The policy may delegate the expulsion authority to the
3 senior management officials of the credit union. If a member is
4 expelled by a senior management official of the credit union,
5 the member may, within 30 days after the expulsion, seek
6 reinstatement by appealing the action in writing to the board
7 of directors of the credit union. The board may affirm,
8 disaffirm, or modify the action, and the board's decision is
9 final. As used in this subsection (4), "senior management
10 official" includes the chief management officer of the credit
11 union (including the person holding the title of President or
12 Chief Executive Officer, or both, or Treasurer/Manager) and
13 other management officers of the credit union (including the
14 persons holding the title of Chief Operating Officer, Chief
15 Financial Officer, Chief Administrative Officer, Chief
16 Information Officer, Chief Security Officer, Executive Vice
17 President, Senior Vice President, or Vice President).

18 If a policy is adopted by the board pursuant to this
19 subsection (4), ~~written notice of~~ the policy shall be
20 distributed not fewer than 30 days before the effective date of
21 the policy by: (i) mailing it ~~and the effective date of the~~
22 policy ~~shall be mailed~~ to each member of the credit union at
23 the member's current address appearing on the records of the
24 credit union; (ii) electronically delivering it to all members
25 by posting it on the credit union's website; or (iii)
26 disclosing it to all members in membership newsletters or

1 accounts statements. ~~The policy shall be mailed to members not~~
2 ~~fewer than 30 days prior to the effective date of the policy.~~

3 In addition, new members shall be provided written notice of
4 the policy prior to or upon applying for membership by using
5 one of the distribution methods described in this subsection
6 (4).

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

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

24 (7) If a member fails to maintain one fully paid share, the
25 credit union, at its option, may permit the member to
26 re-subscribe and pay for one or more shares within 30 days

1 after the date the member failed to maintain one fully paid
2 share, without affecting the member's status or rights as a
3 member during that period. A member that fails to re-subscribe
4 for at least one fully paid share within the 30-day period
5 shall be automatically expelled from the credit union and
6 treated as an expelled member under subsection (5) of this
7 Section 15.

8 (Source: P.A. 97-133, eff. 1-1-12; 97-855, eff. 7-27-12.)

9 (205 ILCS 305/23) (from Ch. 17, par. 4424)

10 Sec. 23. Compensation of officials.

11 (1) Directors and committee members ~~No director or~~
12 ~~committee member~~ may receive reasonable compensation for their
13 his service as such, the amount of which shall be set by the
14 board of directors. "Compensation" as used in this subsection
15 (1) refers to remuneration expense to the credit union for
16 services provided by a director or committee member in his or
17 her capacity as director or committee member. ~~"Compensation"~~ as
18 ~~used in this subsection (1) does not include~~

19 (2) The credit union may incur the expense of providing
20 reasonable life, health, accident, and similar insurance
21 protection benefits for directors and ~~a director or~~ committee
22 members ~~member~~.

23 (3) ~~(2)~~ Directors, committee members and employees, while
24 on official business of the credit union, may be reimbursed for
25 reasonable and necessary expenses. Alternatively, the credit

1 union may make direct payment to a third party for such
2 business expenses. Reasonable and necessary expenses may
3 include the payment of travel costs for the foregoing officials
4 and one guest per official. All payment of costs shall be made
5 in accordance with written policies and procedures established
6 by the board of directors.

7 (4) (3) The board of directors may establish compensation
8 for officers of the credit union.

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

10 (205 ILCS 305/44) (from Ch. 17, par. 4445)

11 Sec. 44. Share accounts; garnishment; unclaimed property.

12 (1) A credit union may be subject to garnishment
13 proceedings concerning the share accounts of its members.

14 (2) A credit union may be subject to the reporting and
15 turnover provisions of the Revised Uniform Unclaimed Property
16 Act concerning the share accounts of its members.
17 Notwithstanding anything to the contrary in the Revised Uniform
18 Unclaimed Property Act, a credit union shall retain the minimum
19 share amount required to preserve a member's status as a member
20 of the credit union.

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

22 (205 ILCS 305/51) (from Ch. 17, par. 4452)

23 Sec. 51. Other loan programs.

24 (1) Subject to such rules and regulations as the Secretary

1 may promulgate, a credit union may participate in loans to
2 credit union members jointly with other credit unions,
3 corporations, or financial institutions. An originating credit
4 union may originate loans only to its own members. A
5 participating credit union that is not the originating lender
6 may participate in loans made to its own members or to members
7 of another participating credit union. "Originating lender"
8 means the participating credit union with which the member
9 contracts. A master participation agreement must be properly
10 executed, and the agreement must include provisions for
11 identifying, either through documents incorporated by
12 reference or directly in the agreement, the participation loan
13 or loans prior to their sale.

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

18 (3) A credit union may purchase the conditional sales
19 contracts, notes and similar instruments which evidence an
20 indebtedness of its members. In the management of its assets,
21 liabilities, and liquidity, a credit union may purchase the
22 conditional sales contracts, notes, and other similar
23 instruments that evidence the consumer indebtedness of the
24 members of another credit union. "Consumer indebtedness" means
25 indebtedness incurred for personal, family, or household
26 purposes.

1 (4) With approval of the board of directors, a credit union
2 may make loans, either on its own or jointly with other credit
3 unions, corporations or financial institutions, to credit
4 union organizations; provided, that the aggregate amount of all
5 such loans outstanding shall not at any time exceed the greater
6 of 10% ~~3%~~ of the paid-in and unimpaired capital and surplus of
7 the credit union or the amount authorized for federal credit
8 unions.

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

10 (205 ILCS 305/57.1)

11 Sec. 57.1. Services to other credit unions. A credit union
12 may act as a representative of and enter into an agreement with
13 credit unions or other organizations for the purposes of:

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

18 (2) providing correspondent services to other credit
19 unions or other organizations that the service provider
20 credit union is authorized to perform for its own members
21 or as part of its operations, including, but not limited
22 to, loan processing, loan servicing, member check cashing
23 services, disbursing share withdrawals and loan proceeds,
24 cashing and selling money orders, ACH and wire transfer
25 services, implementation and administrative support

services related to the use of debit cards, payroll debit cards, and other prepaid debit cards and credit cards, coin and currency services, performing internal audits, and automated teller machine deposit services.

(Source: P.A. 99-78, eff. 7-20-15; 99-149, eff. 1-1-16;
100-201, eff. 8-18-17.)

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

Sec. 59. Investment of funds.

(a) 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

1 recognized statistical rating organization;

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

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

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

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

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

1 unimpaired capital and surplus of the credit union;

2 (8) In federal funds and bankers' acceptances;

3 (9) In shares or stocks of Credit Union Service
4 Organizations in the total amount not exceeding the greater
5 of 10% ~~3%~~ of the unimpaired capital and surplus of the
6 credit union or the amount authorized for federal credit
7 unions;

8 (10) In corporate bonds identified as investment grade
9 by at least one nationally recognized statistical rating
10 organization, provided that:

11 (i) the board of directors has established a
12 written policy that addresses corporate bond
13 investment procedures and how the credit union will
14 manage credit risk, interest rate risk, liquidity
15 risk, and concentration risk; and

16 (ii) the credit union has documented in its records
17 that a credit analysis of a particular investment and
18 the issuing entity was conducted by the credit union, a
19 third party on behalf of the credit union qualified by
20 education or experience to assess the risk
21 characteristics of corporate bonds, or a nationally
22 recognized statistical rating agency before purchasing
23 the investment and the analysis is updated at least
24 annually for as long as it holds the investment;

25 (11) To aid in the credit union's management of its
26 assets, liabilities, and liquidity in the purchase of an

1 investment interest in a pool of loans, in whole or in part
2 and without regard to the membership of the borrowers, from
3 other depository institutions and financial type
4 institutions, including mortgage banks, finance companies,
5 insurance companies, and other loan sellers, subject to
6 such safety and soundness standards, limitations, and
7 qualifications as the Department may establish by rule or
8 guidance from time to time;

9 (12) To aid in the credit union's management of its
10 assets, liabilities, and liquidity by receiving funds from
11 another financial institution as evidenced by certificates
12 of deposit, share certificates, or other classes of shares
13 issued by the credit union to the financial institution;
14 and

15 (13) In the purchase and assumption of assets held by
16 other financial institutions, with approval of the
17 Secretary and subject to any safety and soundness
18 standards, limitations, and qualifications as the
19 Department may establish by rule or guidance from time to
20 time.

21 (14) In securities, obligations, or other instruments
22 of or issued by entities properly registered with or
23 licensed by the Department, including, without limitation,
24 entities properly registered or licensed under the
25 Residential Mortgage License Act of 1987, the Consumer
26 Installment Loan Act, and the Sales Finance Agency Act.

1 (b) As used in this Section:

2 "Political subdivision" includes, but is not limited to,
3 counties, townships, cities, villages, incorporated towns,
4 school districts, educational service regions, special road
5 districts, public water supply districts, fire protection
6 districts, drainage districts, levee districts, sewer
7 districts, housing authorities, park districts, and any
8 agency, corporation, or instrumentality of a state or its
9 political subdivisions, whether now or hereafter created and
10 whether herein specifically mentioned or not.

11 "Financial institution" includes any bank, savings bank,
12 savings and loan association, or credit union established under
13 the laws of the United States, this State, or any other state.

14 (c) A credit union investing to fund an employee benefit
15 plan obligation is not subject to the investment limitations of
16 this Act and this Section and may purchase an investment that
17 would otherwise be impermissible if the investment is directly
18 related to the credit union's obligation under the employee
19 benefit plan and the credit union holds the investment only for
20 so long as it has an actual or potential obligation under the
21 employee benefit plan.

22 (d) If a credit union acquires loans from another financial
23 institution or financial-type institution pursuant to this
24 Section, the credit union shall be authorized to provide loan
25 servicing and collection services in connection with those
26 loans.

1 (Source: P.A. 100-361, eff. 8-25-17; 100-778, eff. 8-10-18.)

(205 ILCS 305/63) (from Ch. 17, par. 4464)

Sec. 63. Merger and consolidation.

(1) Any two or more credit unions, regardless of whether or not they have the same common bond, may merge or consolidate into a single credit union. A merger or consolidation may be with a credit union organized under the laws of this State or of another state or of the United States and is subject to the approval of the Secretary. It must be made on such terms as have been agreed upon by a vote of a majority of the board of directors of each credit union, and approved by an affirmative vote of a majority of the members of the merging credit union being absorbed present at a meeting, either in person or by proxy, duly called for that purpose, except as hereinafter specified. Notice of the meeting stating the purpose must be sent by the Secretary of each merging credit union being absorbed to each member by mail at least 45 but no more than 90 7 days before the date of the meeting.

(2) One of the merging credit unions may continue after the merger or consolidation either as a surviving credit union retaining its identity or as a new credit union as has been agreed upon under the terms of the merger. At least 9 members of the new proposed credit union must apply to the Department for permission to organize the new credit union. The same procedure shall be followed as provided for the organization of

1 a new credit union.

2 (3) After approval by the members of the credit union which
3 is to be absorbed by the merger or consolidation, the chairman
4 or president and the secretary of each credit union shall
5 execute a certificate of merger or consolidation, which shall
6 set forth all of the following:

7 (a) The time and place of the meeting of each board of
8 directors at which the plan was agreed upon;

9 (b) The vote in favor of the adoption of the plan;

10 (c) A copy of each resolution or other action by which
11 the plan was agreed upon;

12 (d) The time and place of the meeting of the members of
13 the absorbed credit union at which the plan agreed upon was
14 approved; and,

15 (e) The vote by which the plan was approved by the
16 members of the absorbed credit union.

17 (4) Such certificate and a copy of the plan of merger or
18 consolidation agreed upon shall be mailed to the Secretary for
19 review. If the provisions of this Act have been complied with,
20 the certificate shall be approved by him, and returned to the
21 credit unions which are parties to the merger or consolidation
22 within 30 days. When so approved by the Secretary the
23 certificate shall constitute the Department's certificate of
24 approval of the merger or consolidation.

25 (5) Upon issuance of the certificate of approval, each
26 merging credit union which was absorbed shall cease operation.

1 Each party to the merger shall file the certificate of approval
2 with the Recorder or County Clerk of the county in which the
3 credit union has or had its principal office.

4 (6) Each credit union absorbed by the merger or
5 consolidation shall return to the Secretary the original
6 statement of incorporation, certificate of approval of
7 incorporation, and the bylaws of the credit union. The
8 surviving credit union shall continue its operation under its
9 existing certificate of approval, articles of incorporation,
10 and the bylaws or if a new credit union has been formed, under
11 the new certificate of approval, articles of incorporation, and
12 bylaws.

13 (7) All rights of membership in and any obligation or
14 liability of any member to any credit union which is party to a
15 consolidation or merger are continued in the surviving or new
16 credit union without reservation or diminution.

17 (8) A pending action or other judicial proceeding to which
18 any of the consolidating or merging credit unions is a party
19 does not abate by reason of the consolidation or merger.

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

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