



Rep. Jay Hoffman

Filed: 4/20/2021

10200HB3698ham001

LRB102 10352 BMS 25468 a

1 AMENDMENT TO HOUSE BILL 3698

2 AMENDMENT NO. _____. Amend House Bill 3698 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The Illinois Credit Union Act is amended by
5 changing Sections 19, 23, 34, 51, 57, 59, and 64.7 and by
6 adding Section 20.5 as follows:

7 (205 ILCS 305/19) (from Ch. 17, par. 4420)

8 Sec. 19. Meeting of members.

9 (1) (a) The annual meeting shall be held each year during
10 the months of January, February or March or such other month as
11 may be approved by the Department. The meeting shall be held at
12 the time, place and in the manner set forth in the bylaws. Any
13 special meetings of the members of the credit union shall be
14 held at the time, place and in the manner set forth in the
15 bylaws. Unless otherwise set forth in this Act, quorum
16 requirements for meetings of members shall be established by a

1 credit union in its bylaws. Notice of all meetings must be
2 given by the secretary of the credit union at least 7 days
3 before the date of such meeting, either by handing a written or
4 printed notice to each member of the credit union, by mailing
5 the notice to the member at his address as listed on the books
6 and records of the credit union, ~~or~~ by posting a notice of the
7 meeting in three conspicuous places, including the office of
8 the credit union, by posting the notice of the meeting on the
9 credit union's website, or by disclosing the notice of the
10 meeting in membership newsletters or account statements.

11 (b) Unless expressly prohibited by the articles of
12 incorporation or bylaws and subject to applicable requirements
13 of this Act, the board of directors may provide by resolution
14 that members may attend, participate in, act in, and vote at
15 any annual meeting or special meeting through the use of a
16 conference telephone or interactive technology, including, but
17 not limited to, electronic transmission, internet usage, or
18 remote communication, by means of which all persons
19 participating in the meeting can communicate with each other.
20 Participation through the use of a conference telephone or
21 interactive technology shall constitute attendance, presence,
22 and representation in person at the annual meeting or special
23 meeting of the person or persons so participating and count
24 towards the quorum required to conduct business at the
25 meeting. The following conditions shall apply to any virtual
26 meeting of the members:

1 (i) the credit union must internally possess or retain
2 the technological capacity to facilitate virtual meeting
3 attendance, participation, communication, and voting; and

4 (ii) the members must receive notice of the use of a
5 virtual meeting format and appropriate instructions for
6 joining, participating, and voting during the virtual
7 meeting at least 7 days before the virtual meeting.

8 (2) On all questions and at all elections, except election
9 of directors, each member has one vote regardless of the
10 number of his shares. There shall be no voting by proxy except
11 on the election of directors, proposals for merger or
12 voluntary dissolution. Members may vote on questions,
13 including, without limitation, the approval of mergers and
14 voluntary dissolutions under this Act, and in elections by
15 secure electronic record if approved by the board of
16 directors. All voting on the election of directors shall be by
17 ballot, but when there is no contest, written or electronic
18 ballots need not be cast. The record date to be used for the
19 purpose of determining which members are entitled to notice of
20 or to vote at any meeting of members, may be fixed in advance
21 by the directors on a date not more than 90 days nor less than
22 10 days prior to the date of the meeting. If no record date is
23 fixed by the directors, the first day on which notice of the
24 meeting is given, mailed or posted is the record date.

25 (3) Regardless of the number of shares owned by a society,
26 association, club, partnership, other credit union or

1 corporation, having membership in the credit union, it shall
2 be entitled to only one vote and it may be represented and have
3 its vote cast by its designated agent acting on its behalf
4 pursuant to a resolution adopted by the organization's board
5 of directors or similar governing authority; provided that the
6 credit union shall obtain a certified copy of such resolution
7 before such vote may be cast.

8 (4) A member may revoke a proxy by delivery to the credit
9 union of a written statement to that effect, by execution of a
10 subsequently dated proxy, by execution of a secure electronic
11 record, or by attendance at a meeting and voting in person.

12 (5) As used in this Section, "electronic" and "electronic
13 record" have the meanings ascribed to those terms in the
14 Electronic Commerce Security Act. As used in this Section,
15 "secured electronic record" means an electronic record that
16 meets the criteria set forth in Section 10-105 of the
17 Electronic Commerce Security Act.

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

19 (205 ILCS 305/20.5 new)

20 Sec. 20.5. Appointment of associate directors.

21 (a) The board of directors of a credit union may, in its
22 discretion, appoint one or more associate directors to serve
23 in an advisory capacity. The board shall prescribe the duties
24 of an associate director and the manner in which associate
25 directors are appointed and removed. The board shall not

1 delegate to associate directors any of the duties or
2 responsibilities prescribed by this Act or other applicable
3 law to be performed by directors duly elected by their
4 members. An associate director shall not be deemed or
5 considered to be a director for any purpose under this Act.

6 (b) Before appointing an associate director, the board
7 shall confirm that the person meets all of the requirements to
8 serve as a director, including, without limitation, a working
9 familiarity with the financial and accounting practices of the
10 credit union as set forth in subsection (c) of Section 30.

11 (c) An associate director may participate in meetings of
12 the board but may not vote or otherwise act as a director. With
13 respect to any issue that comes before the board for
14 deliberation, the board may request that all associate
15 directors excuse themselves from the meeting of the board and
16 the associate directors shall immediately comply with the
17 request.

18 (d) The board shall require each associate director to
19 sign a confidentiality or non-disclosure agreement to ensure
20 that information concerning the credit union remains
21 confidential.

22 (205 ILCS 305/23) (from Ch. 17, par. 4424)

23 Sec. 23. Compensation of officials.

24 (1) Directors and committee members may receive reasonable
25 compensation for their service as such, the amount of which

1 shall be set by the board of directors, in accordance with
2 written policies and procedures established by the board of
3 directors. If the Department determines the payment of
4 director or committee member compensation, or both, creates a
5 safety and soundness issue for a credit union, the Department
6 shall utilize the standards set forth in 38 Ill. Adm. Code
7 190.25 and supplemental guidelines to address and resolve the
8 issue. An enforcement action taken pursuant to 38 Ill. Adm.
9 Code 190.25 and guidelines and specified by the Act shall be
10 used to reduce or suspend the compensation paid to the
11 directors and committee members. The Department shall, by
12 ~~rule, establish maximum rates of reasonable compensation that~~
13 ~~are generally applicable to credit unions considering factors~~
14 ~~the Department may establish from time to time, including, but~~
15 ~~not limited to, total assets, nonprofit cooperative structure,~~
16 ~~and the best interests of members. "Compensation" as used in~~
17 this subsection (1) refers to remuneration expense to the
18 credit union for services provided by a director or committee
19 member in his or her capacity as director or committee member.
20 The remuneration expense is in the form of monetary payments
21 and shall be disclosed on an annual basis to the membership in
22 the financial statement that is part of the annual membership
23 meeting materials. The disclosure shall contain: (i) the
24 amount paid to each director and (ii) the amount paid to the
25 directors as a group. "Compensation" does not include any of
26 the expenses described in subsections (2) and (3) of this

1 Section.

2 (2) The credit union may incur the expense of providing
3 reasonable life, health, accident, and similar insurance
4 protection benefits for directors and committee members.

5 (3) Directors, committee members and employees, while on
6 official business of the credit union, may be reimbursed for
7 reasonable and necessary expenses. Alternatively, the credit
8 union may make direct payment to a third party for such
9 business expenses. Reasonable and necessary expenses may
10 include the payment of travel costs for the foregoing
11 officials and one guest per official. All payment of costs
12 shall be made in accordance with written policies and
13 procedures established by the board of directors.

14 (4) The board of directors may establish compensation for
15 officers of the credit union.

16 (Source: P.A. 101-567, eff. 8-23-19.)

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

18 Sec. 34. Duties of supervisory committee.

19 (1) The supervisory committee shall make or cause to be
20 made an annual internal audit of the books and affairs of the
21 credit union to determine that the credit union's accounting
22 records and reports are prepared promptly and accurately
23 reflect operations and results, that internal controls are
24 established and effectively maintained to safeguard the assets
25 of the credit union, and that the policies, procedures and

1 practices established by the board of directors and management
2 of the credit union are being properly administered. The
3 supervisory committee shall submit a report of that audit to
4 the board of directors and a summary of that report to the
5 members at the next annual meeting of the credit union. It
6 shall make or cause to be made such supplementary audits as it
7 deems necessary or as are required by the Secretary or by the
8 board of directors, and submit reports of these supplementary
9 audits to the Secretary or board of directors as applicable.
10 If the supervisory committee has not engaged a licensed
11 certified public accountant or licensed certified public
12 accounting firm to make the internal audit, the supervisory
13 committee or other officials of the credit union shall not
14 indicate or in any manner imply that such audit has been
15 performed by a licensed certified public accountant or
16 licensed certified public accounting firm or that the audit
17 represents the independent opinion of a licensed certified
18 public accountant or licensed certified public accounting
19 firm. The supervisory committee must retain its tapes and
20 working papers of each internal audit for inspection by the
21 Department. The report of this audit must be made on a form
22 approved by the Secretary. A copy of the report must be
23 promptly delivered to the Secretary as set forth in paragraph
24 (C) of subsection (3).

25 (2) The supervisory committee shall make or cause to be
26 made at least once each year a reasonable percentage

1 verification of members' share and loan accounts, consistent
2 with rules promulgated by the Secretary.

3 (3) (A) The supervisory committee of a credit union with
4 assets of \$10,000,000 or more shall engage a licensed
5 certified public accountant or licensed certified public
6 accounting firm to perform an annual external independent
7 audit of the credit union's financial statements in accordance
8 with generally accepted auditing standards and the financial
9 statements shall be issued in accordance with accounting
10 principles generally accepted in the United States of America.

11 (B) The supervisory committee of a credit union with
12 assets of \$5,000,000 or more, but less than \$10,000,000, shall
13 engage a licensed certified public accountant or licensed
14 certified public accounting firm to perform on an annual
15 basis: (i) an agreed-upon procedures engagement under
16 attestation standards established by the American Institute of
17 Certified Public Accountants to minimally satisfy the
18 supervisory committee internal audit standards set forth in
19 subsection (1); or (ii) an external independent audit of the
20 credit union's financial statements pursuant to the standards
21 set forth in paragraph (A) of subsection (3).

22 (C) Notwithstanding anything to the contrary in Section 6,
23 each credit union organized under this Act shall select the
24 annual period it desires to use for purposes of performing the
25 external independent audit, agreed-upon procedures engagement,
26 or internal audit described in this Section. The annual period

1 may end on the final day of any month and shall be construed to
2 mean once every calendar year and not once every 12-month
3 period. Irrespective of the annual period selected, the credit
4 union shall complete its external independent audit report,
5 agreed-upon procedures report, or internal audit report and
6 deliver a copy to the Secretary no later than 120 days after
7 the effective date of the audit or engagement, which shall
8 mean the last day of the selected annual period. ~~The external~~
9 ~~independent audit report or agreed-upon procedures report~~
10 ~~shall be completed and a copy thereof delivered to the~~
11 ~~Secretary no later than 120 days after the end of the calendar~~
12 ~~or fiscal year under audit or fiscal period for which the~~
13 ~~agreed-upon procedures are performed.~~ A credit union or group
14 of credit unions may obtain an extension of the due date upon
15 application to and receipt of written approval from the
16 Secretary.

17 (D) If the credit union engages a licensed certified
18 public accountant or licensed certified public accounting firm
19 to perform an annual external independent audit of the credit
20 union's financial statements pursuant to the standards in
21 paragraph (A) of subsection (3) or an annual agreed-upon
22 procedures engagement pursuant to the standards in paragraph
23 (B) of subsection (3), then the annual internal audit
24 requirements of subsection (1) shall be deemed satisfied and
25 met in all respects.

26 (4) In determining the appropriate balance in the

1 allowance for loan losses account, a credit union may
2 determine its historical loss rate using a defined period of
3 time of less than 5 years, provided that:

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

10 (B) supporting documentation is maintained for the
11 technique used to develop the credit union loss rates,
12 including the period of time used to accumulate historical
13 loss data and the factors considered in establishing the
14 time frames; and

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

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

25 (6) On an annual basis commencing January 1, 2015, the
26 members of the supervisory committee shall receive training

1 related to their statutory duties. Supervisory committee
2 members may receive the training through internal credit union
3 training, external training offered by the credit union's
4 retained auditors, trade associations, vendors, regulatory
5 agencies, or any other sources or on-the-job experience, or a
6 combination of those activities. The training may be received
7 through any medium, including, but not limited to,
8 conferences, workshops, audit closing meetings, seminars,
9 teleconferences, webinars, and other Internet-based delivery
10 channels.

11 (Source: P.A. 100-778, eff. 8-10-18; 101-81, eff. 7-12-19.)

12 (205 ILCS 305/51) (from Ch. 17, par. 4452)

13 Sec. 51. Other loan programs.

14 (1) Subject to such rules and regulations as the Secretary
15 may promulgate, a credit union may participate in loans to
16 credit union members jointly with other credit unions,
17 corporations, or financial institutions. An originating credit
18 union may originate loans only to its own members. A
19 participating credit union that is not the originating lender
20 may participate in loans made to its own members or to members
21 of another participating credit union. "Originating lender"
22 means the participating credit union with which the member
23 contracts. A master participation agreement must be properly
24 executed, and the agreement must include provisions for
25 identifying, either through documents incorporated by

1 reference or directly in the agreement, the participation loan
2 or loans prior to their sale.

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

7 (3) A credit union may purchase the conditional sales
8 contracts, notes and similar instruments which evidence an
9 indebtedness of its members. In the management of its assets,
10 liabilities, and liquidity, a credit union may purchase the
11 conditional sales contracts, notes, and other similar
12 instruments that evidence the consumer indebtedness of the
13 members of another credit union. "Consumer indebtedness" means
14 indebtedness incurred for personal, family, or household
15 purposes.

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

24 (5) With the approval of the board of directors, a credit
25 union may make loans, either on its own or jointly with other
26 credit unions, corporations, or financial institutions, to

1 community development financial institutions as defined in
2 regulations issued by the U.S. Department of the Treasury and
3 minority depository institutions as defined by the National
4 Credit Union Administration. The aggregate amount of all such
5 loans outstanding shall not at any time exceed 5% of the
6 paid-in and unimpaired capital and surplus of the credit
7 union.

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

9 (205 ILCS 305/57) (from Ch. 17, par. 4458)

10 Sec. 57. Group purchasing and marketing.

11 (a) A credit union may, consistent with rules and
12 regulations promulgated by the Secretary, enter into
13 cooperative marketing arrangements to facilitate its members'
14 voluntary purchase of such goods and services as are in the
15 interest of improving economic and social conditions of the
16 members.

17 (b) A credit union may create and use descriptive and
18 brand references to promote and market its identity, services,
19 and products to its members. In the case of a merger pursuant
20 to Section 63, the surviving credit union may identify the
21 merging credit union as a division, branch, unit, or other
22 descriptive reference that ensures the members understand they
23 are dealing with one credit union rather than multiple credit
24 unions, as of the effective date of the merger.

25 (Source: P.A. 100-361, eff. 8-25-17.)

1 (205 ILCS 305/59) (from Ch. 17, par. 4460)

2 Sec. 59. Investment of funds.

3 (a) Funds not used in loans to members may be invested,
4 pursuant to subsection (7) of Section 30 of this Act, and
5 subject to Departmental rules and regulations:

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

11 (2) In obligations of any state of the United States,
12 the District of Columbia, the Commonwealth of Puerto Rico,
13 and the several territories organized by Congress, or any
14 political subdivision thereof; however, a credit union may
15 not invest more than 10% of its unimpaired capital and
16 surplus in the obligations of one issuer, exclusive of
17 general obligations of the issuer, and investments in
18 municipal securities must be limited to securities rated
19 in one of the 4 highest rating categories by a nationally
20 recognized statistical rating organization;

21 (3) In certificates of deposit or passbook type
22 accounts issued by a state or national bank, mutual
23 savings bank or savings and loan association; provided
24 that such institutions have their accounts insured by the
25 Federal Deposit Insurance Corporation or the Federal

1 Savings and Loan Insurance Corporation; but provided,
2 further, that a credit union's investment in an account in
3 any one institution may exceed the insured limit on
4 accounts;

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

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

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

20 (7) In shares, stocks or obligations of other
21 financial institutions in the total amount not exceeding
22 5% of the unimpaired capital and surplus of the credit
23 union;

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

25 (9) In shares or stocks of Credit Union Service
26 Organizations in the total amount not exceeding the

1 greater of 6% ~~3%~~ of the unimpaired capital and surplus of
2 the credit union or the amount authorized for federal
3 credit unions;

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

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

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

22 (11) To aid in the credit union's management of its
23 assets, liabilities, and liquidity in the purchase of an
24 investment interest in a pool of loans, in whole or in part
25 and without regard to the membership of the borrowers,
26 from other depository institutions and financial type

1 institutions, including mortgage banks, finance companies,
2 insurance companies, and other loan sellers, subject to
3 such safety and soundness standards, limitations, and
4 qualifications as the Department may establish by rule or
5 guidance from time to time;

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

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

18 (14) In the shares, stocks, or obligations of
19 community development financial institutions as defined in
20 regulations issued by the U.S. Department of the Treasury
21 and minority depository institutions as defined by the
22 National Credit Union Administration; however the
23 aggregate amount of all such investments shall not at any
24 time exceed 5% of the paid-in and unimpaired capital and
25 surplus of the credit union.

26 (b) As used in this Section:

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

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

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

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

1 (Source: P.A. 100-361, eff. 8-25-17; 100-778, eff. 8-10-18;
2 101-567, eff. 8-23-19.)

3 (205 ILCS 305/64.7)

4 Sec. 64.7. Network credit unions.

5 (a) Two or more credit unions merging pursuant to Section
6 63 of this Act may elect to request a network credit union
7 designation for the surviving credit union from the Secretary.
8 The request shall be set forth in the plan of merger and
9 certificate of merger executed by the credit unions and
10 submitted to the Secretary pursuant to subsection (4) of
11 Section 63. The Secretary's approval of a certificate of
12 merger containing a network credit union designation request
13 shall constitute approval of the use of the network
14 designation as a brand or other identifier of the surviving
15 credit union. If the surviving credit union desires to include
16 the network designation in its legal name, make any other
17 change to its legal name, or both, it shall proceed with an
18 amendment to the articles of incorporation and bylaws of the
19 surviving credit union pursuant to Section 4 of this Act.

20 (b) A network credit union is a cooperative business
21 structure comprised of 2 or more merging credit unions with a
22 collective goal of efficiently serving their combined
23 membership and gaining economies of scale through common
24 vision, strategy and initiative. The merging credit unions
25 shall be identified as divisional credit unions, branches, or

1 units of the network credit union or by other descriptive
2 references that ensure the members understand they are dealing
3 with one credit union rather than multiple credit unions.
4 Descriptive and brand references may also be created and used
5 to promote the identity, services, and products of the network
6 credit union to its members.

7 (c) Each divisional credit union may have an advisory
8 board of directors and a chief management official to assist
9 in maintaining and leveraging its respective local identity
10 for the benefit of the surviving credit union. The divisional
11 credit union advisory boards shall be appointed by the network
12 credit union board of directors. Each divisional credit
13 union's advisory board of directors may appoint a divisional
14 credit union chief management official and may also appoint
15 one of its directors to serve on the network credit union's
16 nominating committee. A divisional credit union may determine
17 to identify its advisory board as a committee and its
18 divisional chief management official with a title it deems
19 reasonable and appropriate. The network credit union board of
20 directors shall require each advisory board member to sign a
21 confidentiality or non-disclosure agreement to ensure that
22 information concerning the credit union remains confidential.

23 (d) The network credit union is the surviving legal entity
24 in the merger and supervision, examination, audit, reporting,
25 governance, and management shall be conducted or performed at
26 the network credit union level. All share insurance, safety

1 and soundness, and statutory and regulatory requirements and
2 limitations shall be evaluated at the network credit union
3 level.

4 (Source: P.A. 99-614, eff. 7-22-16; 100-361, eff. 8-25-17.)

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