



## 102ND GENERAL ASSEMBLY

### State of Illinois

2021 and 2022

**HB4462**

Introduced 1/21/2022, by Rep. Jay Hoffman

#### SYNOPSIS AS INTRODUCED:

See Index

Amends the Illinois Credit Union Act. Sets forth provisions concerning credit unions that serve target markets. In provisions concerning election or appointment of officials, provides that the board of directors may appoint, from among the members of the credit union, a nominating committee of 3 or more persons, and that the nominating committee may recruit, evaluate, and nominate eligible candidates for each position to be filled in the election of directors or to be filled by appointment of the board of directors for the remainder of the unexpired term of a director. Sets forth provisions concerning the nominating committee. In provisions concerning meetings of directors, provides that upon approval by the Secretary of Financial and Professional Regulation of an amendment to the bylaws of the credit union, the board of directors may hold meetings on a quarterly basis. In provisions concerning duties of the supervisory committee, sets forth provisions concerning accounting principles for specified credit unions. In provisions concerning special purpose share accounts and charitable donation accounts, provides that a credit union may establish one or more donor-advised fund accounts. Sets forth provisions concerning transfers from a donor-advised fund account, distributions by a foundation receiving donor-advised funds from a credit union, and transfers by a credit union from its donor-advised fund account to a foundation. In provisions concerning shares in trust, provides that shares may be issued in the name of an individual or corporate representative under the Illinois Probate Act of 1975 for or in respect of a nonmember of a credit union if the representative is an individual who is a member of the credit union. In provisions concerning investment of funds, provides that funds not used in loans to members may be invested in shares, stocks, or units of financial technology companies in a total amount not exceeding 5% of the unimpaired capital and surplus of the credit union, so long as the investment complies with specified documentation and separate corporate existence requirements. Changes references from "secure electronic record" to "electronic record". Defines terms. Makes other changes.

LRB102 22844 BMS 33257 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 19, 20, 29, 34, 39, 42, and 59 and by adding  
6 Section 16.5 as follows:

7 (205 ILCS 305/16.5 new)

8 Sec. 16.5. Service to target markets.

9 (a) As used in this Section:

10 "Target market" means an investment area or a targeted  
11 population, or both, as defined in the Community Development  
12 Banking and Financial Institutions Act of 1994, 12 U.S.C.  
13 4702, and regulations issued thereunder by the U.S. Department  
14 of the Treasury pursuant to 12 CFR 1805.104 et seq.

15 Terms used in this Section that are not defined in this  
16 Section shall have the meanings ascribed to them in the U.S.  
17 Department of Treasury regulations identified in this  
18 subsection.

19 (b) Notwithstanding anything to the contrary in Section  
20 16.1, persons who reside in investment areas and targeted  
21 populations consisting of individuals or identifiable groups  
22 of individuals who are low-income persons or lack adequate  
23 access to financial products or financial services may be

1 admitted to membership in a credit union.

2 (c) In addition to serving persons who reside in  
3 investment areas that become members pursuant to subsection  
4 (b), a credit union may indirectly serve investment areas by  
5 making loans to or investments in community development  
6 financial institutions, minority depository institutions, and  
7 other businesses that serve the investment areas, subject to  
8 the limits set forth in subsection (5) of Section 51 and  
9 paragraph (14) of subsection (a) of Section 59.

10 (d) In addition to serving targeted populations of  
11 individuals that become members pursuant to subsection (b), a  
12 credit union may indirectly serve members of a targeted  
13 population by making loans to or investments in community  
14 development financial institutions, minority depository  
15 institutions, and other businesses that serve the targeted  
16 population, subject to the limits set forth in subsection (5)  
17 of Section 51 and paragraph (14) of subsection (a) of Section  
18 59.

19 (e) A credit union desiring to serve a target market in  
20 accordance with this Section shall do so pursuant to a written  
21 business plan that confirms the target market meets the  
22 definitional criteria set forth in subsection (a) and  
23 identifies the financial product and financial service needs  
24 of the target market, the financial products and financial  
25 services to be delivered, and the manner of delivery of those  
26 financial products and financial services. The credit union

1 must submit the business plan to the Secretary who shall, upon  
2 confirming the target market meets the definitional criteria  
3 identified in subsection (a), approve amendments to the credit  
4 union's articles of incorporation and bylaws adding the target  
5 market to its field of membership. The credit union shall  
6 periodically review and update the business plan as warranted.  
7 Upon request of the Secretary, the credit union shall make its  
8 business plan and any periodic status reports available to the  
9 Secretary for review by the Department.

10 (205 ILCS 305/19) (from Ch. 17, par. 4420)

11 Sec. 19. Meeting of members.

12 (1) (a) The annual meeting shall be held each year during  
13 the months of January, February or March or such other month as  
14 may be approved by the Department. The meeting shall be held at  
15 the time, place and in the manner set forth in the bylaws. Any  
16 special meetings of the members of the credit union shall be  
17 held at the time, place and in the manner set forth in the  
18 bylaws. Unless otherwise set forth in this Act, quorum  
19 requirements for meetings of members shall be established by a  
20 credit union in its bylaws. Notice of all meetings must be  
21 given by the secretary of the credit union at least 7 days  
22 before the date of such meeting, either by handing a written or  
23 printed notice to each member of the credit union, by mailing  
24 the notice to the member at his address as listed on the books  
25 and records of the credit union, by posting a notice of the

1 meeting in three conspicuous places, including the office of  
2 the credit union, by posting the notice of the meeting on the  
3 credit union's website, or by disclosing the notice of the  
4 meeting in membership newsletters or account statements.

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

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

24 (ii) the members must receive notice of the use of a  
25 virtual meeting format and appropriate instructions for  
26 joining, participating, and voting during the virtual

1 meeting at least 7 days before the virtual meeting.

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

19 (3) Regardless of the number of shares owned by a society,  
20 association, club, partnership, other credit union or  
21 corporation, having membership in the credit union, it shall  
22 be entitled to only one vote and it may be represented and have  
23 its vote cast by its designated agent acting on its behalf  
24 pursuant to a resolution adopted by the organization's board  
25 of directors or similar governing authority; provided that the  
26 credit union shall obtain a certified copy of such resolution

1 before such vote may be cast.

2 (4) A member may revoke a proxy by delivery to the credit  
3 union of a written statement to that effect, by execution of a  
4 subsequently dated proxy, by execution of an ~~a secure~~  
5 electronic record, or by attendance at a meeting and voting in  
6 person.

7 (5) The use of electronic records for member voting  
8 pursuant to this Section shall employ a security procedure  
9 that meets the attribution criteria set forth in Section 9 of  
10 the Uniform Electronic Transactions Act.

11 (6) ~~(5)~~ As used in this Section, "electronic", ~~and~~  
12 "electronic record", and "security procedure" have the  
13 meanings ascribed to those terms in the Uniform Electronic  
14 Transactions Act. ~~As used in this Section, "secured electronic~~  
15 ~~record" means an electronic record that meets the criteria set~~  
16 ~~forth in Uniform Electronic Transactions Act.~~

17 (Source: P.A. 102-38, eff. 6-25-21; 102-496, eff. 8-20-21;  
18 revised 10-15-21.)

19 (205 ILCS 305/20) (from Ch. 17, par. 4421)

20 Sec. 20. Election or appointment of officials.

21 (1) The credit union shall be directed by a board of  
22 directors consisting of no less than 7 in number, to be elected  
23 at the annual meeting by and from the members. Directors shall  
24 hold office until the next annual meeting, unless their terms  
25 are staggered. Upon amendment of its bylaws, a credit union

1 may divide the directors into 2 or 3 classes with each class as  
2 nearly equal in number as possible. The term of office of the  
3 directors of the first class shall expire at the first annual  
4 meeting after their election, that of the second class shall  
5 expire at the second annual meeting after their election, and  
6 that of the third class, if any, shall expire at the third  
7 annual meeting after their election. At each annual meeting  
8 after the classification, the number of directors equal to the  
9 number of directors whose terms expire at the time of the  
10 meeting shall be elected to hold office until the second  
11 succeeding annual meeting if there are 2 classes or until the  
12 third succeeding annual meeting if there are 3 classes. A  
13 director shall hold office for the term for which he or she is  
14 elected and until his or her successor is elected and  
15 qualified.

16 (1.5) Except as provided in subsection (1.10), in all  
17 elections for directors, every member has the right to vote,  
18 in person, by proxy, or by ~~secure~~ electronic record if  
19 approved by the board of directors, the number of shares owned  
20 by him, or in the case of a member other than a natural person,  
21 the member's one vote, for as many persons as there are  
22 directors to be elected, or to cumulate such shares, and give  
23 one candidate as many votes as the number of directors  
24 multiplied by the number of his shares equals, or to  
25 distribute them on the same principle among as many candidates  
26 as he may desire and the directors shall not be elected in any



1 other manner. Shares held in a joint account owned by more than  
2 one member may be voted by any one of the members, however, the  
3 number of cumulative votes cast may not exceed a total equal to  
4 the number of shares multiplied by the number of directors to  
5 be elected. A majority of the shares entitled to vote shall be  
6 represented either in person or by proxy for the election of  
7 directors. Each director shall wholly take and subscribe to an  
8 oath that he will diligently and honestly perform his duties  
9 in administering the affairs of the credit union, that while  
10 he may delegate to another the performance of those  
11 administrative duties he is not thereby relieved from his  
12 responsibility for their performance, that he will not  
13 knowingly violate or permit to be violated any law applicable  
14 to the credit union, and that he is the owner of at least one  
15 share of the credit union.

16 (1.10) Upon amendment of a credit union's bylaws approved  
17 by the members, in all elections for directors, every member  
18 who is a natural person shall have the right to cast one vote,  
19 regardless of the number of his or her shares, in person, by  
20 proxy, or by ~~secure~~ electronic record if approved by the board  
21 of directors, for as many persons as there are directors to be  
22 elected.

23 (1.15) If the board of directors has adopted a policy  
24 addressing age eligibility standards on voting, holding  
25 office, or petitioning the board, then a credit union may  
26 require (i) that members be at least 18 years of age by the

1 date of the meeting in order to vote at meetings of the  
2 members, sign nominating petitions, or sign petitions  
3 requesting special meetings, and (ii) that members be at least  
4 18 years of age by the date of election or appointment in order  
5 to hold elective or appointive office.

6 (2) The board of directors shall appoint from among the  
7 members of the credit union, a supervisory committee of not  
8 less than 3 members at the organization meeting and within 30  
9 days following each annual meeting of the members for such  
10 terms as the bylaws provide. Members of the supervisory  
11 committee may, but need not be, on the board of directors, but  
12 shall not be officers of the credit union, members of the  
13 credit committee, or the credit manager if no credit committee  
14 has been appointed.

15 (3) The board of directors may appoint, from among the  
16 members of the credit union, a credit committee consisting of  
17 an odd number, not less than 3 for such terms as the bylaws  
18 provide. Members of the credit committee may, but need not be,  
19 directors or officers of the credit union, but shall not be  
20 members of the supervisory committee.

21 (4) The board of directors may appoint from among the  
22 members of the credit union a membership committee of one or  
23 more persons. If appointed, the committee shall act upon all  
24 applications for membership and submit a report of its actions  
25 to the board of directors at the next regular meeting for  
26 review. If no membership committee is appointed, credit union

1 management shall act upon all applications for membership and  
2 submit a report of its actions to the board of directors at the  
3 next regular meeting for review.

4 (5) The board of directors may appoint, from among the  
5 members of the credit union, a nominating committee of 3 or  
6 more persons. Members of the nominating committee may, but  
7 need not, be directors or officers of the credit union, but may  
8 not be members of the supervisory committee. The appointment,  
9 if made, shall be made in a timely manner to permit the  
10 nominating committee to recruit, evaluate, and nominate  
11 eligible candidates for each position to be filled in the  
12 election of directors or, in the event of a vacancy in office,  
13 to be filled by appointment of the board of directors for the  
14 remainder of the unexpired term of the director creating the  
15 vacancy. Factors the nominating committee may consider in  
16 evaluating prospective candidates include whether a candidate  
17 possesses or is willing to acquire through training the  
18 requisite skills and qualifications to carry out the statutory  
19 duties of a director. The board of directors may delegate to  
20 the nominating committee the recruitment, evaluation, and  
21 nomination of eligible candidates to serve on committees and  
22 in executive officer positions.

23 (6) The use of electronic records for member voting  
24 pursuant to this Section shall employ a security procedure  
25 that meets the attribution criteria set forth in Section 9 of  
26 the Uniform Electronic Transactions Act.

1        (7) ~~(5)~~ As used in this Section, "electronic", ~~and~~  
2        "electronic record", and "security procedure" have the  
3        meanings ascribed to those terms in the Uniform Electronic  
4        Transactions Act. ~~As used in this Section, "secured electronic~~  
5        ~~record" means an electronic record that meets the criteria set~~  
6        ~~forth in the Uniform Electronic Transactions Act.~~

7        (Source: P.A. 102-38, eff. 6-25-21; 102-687, eff. 12-17-21.)

8            (205 ILCS 305/29) (from Ch. 17, par. 4430)

9            Sec. 29. Meetings of directors.

10          (1) The board of directors and the executive committee  
11          shall meet as often as necessary, but one body must meet at  
12          least monthly and the other at least quarterly, as prescribed  
13          in the bylaws. Unless a greater number is required by the  
14          bylaws, a majority of the whole board of directors shall  
15          constitute a quorum. The act of a majority of the directors  
16          present at a meeting at which a quorum is present shall be the  
17          act of the board of directors unless the act of a greater  
18          number is required by this Act, the credit union's articles of  
19          incorporation or the bylaws. Notwithstanding any other  
20          provision of this subsection, upon approval by the Secretary  
21          of an amendment to the bylaws of the credit union, the board of  
22          directors may hold meetings on a quarterly basis, irrespective  
23          of whether the executive committee meets in the months that  
24          the board of directors does not meet.

25          (2) Unless specifically prohibited by the articles of

1 incorporation or bylaws, directors and committee members may  
2 participate in and act at any meeting of the board or committee  
3 through the use of a conference telephone or other  
4 communications equipment by means of which all persons  
5 participating in the meeting can communicate with each other.  
6 Participation in the meeting shall constitute attendance and  
7 presence in person at the meeting of the person or persons so  
8 participating.

9 (3) Unless specifically prohibited by the articles of  
10 incorporation or bylaws, any action required by this Act to be  
11 taken at a meeting of the board of directors or a committee and  
12 any other action that may be taken at a meeting of the board of  
13 directors or a committee may be taken without a meeting if a  
14 consent in writing setting forth the action taken is signed by  
15 all the directors entitled to vote with respect to the subject  
16 matter thereof, or by all members of the committee, as the case  
17 may be. The consent shall be evidenced by one or more written  
18 approvals, each of which sets forth the action taken and bears  
19 the signatures of one or more directors or committee members.  
20 All the approvals evidencing the consent shall be delivered to  
21 the secretary to be filed in the corporate records of the  
22 credit union. The action taken shall be effective when all the  
23 directors or committee members have approved the consent  
24 unless the consent specifies a different effective date. A  
25 consent signed by all the directors or all the members of a  
26 committee shall have the same effect as a unanimous vote, and

1 may be stated as such in any document filed with the director  
2 under this Act.

3 (Source: P.A. 89-603, eff. 8-2-96.)

4 (205 ILCS 305/34) (from Ch. 17, par. 4435)

5 Sec. 34. Duties of supervisory committee.

6 (1) The supervisory committee shall make or cause to be  
7 made an annual internal audit of the books and affairs of the  
8 credit union to determine that the credit union's accounting  
9 records and reports are prepared promptly and accurately  
10 reflect operations and results, that internal controls are  
11 established and effectively maintained to safeguard the assets  
12 of the credit union, and that the policies, procedures and  
13 practices established by the board of directors and management  
14 of the credit union are being properly administered. The  
15 supervisory committee shall submit a report of that audit to  
16 the board of directors and a summary of that report to the  
17 members at the next annual meeting of the credit union. It  
18 shall make or cause to be made such supplementary audits as it  
19 deems necessary or as are required by the Secretary or by the  
20 board of directors, and submit reports of these supplementary  
21 audits to the Secretary or board of directors as applicable.  
22 If the supervisory committee has not engaged a licensed  
23 certified public accountant or licensed certified public  
24 accounting firm to make the internal audit, the supervisory  
25 committee or other officials of the credit union shall not

1 indicate or in any manner imply that such audit has been  
2 performed by a licensed certified public accountant or  
3 licensed certified public accounting firm or that the audit  
4 represents the independent opinion of a licensed certified  
5 public accountant or licensed certified public accounting  
6 firm. The supervisory committee must retain its tapes and  
7 working papers of each internal audit for inspection by the  
8 Department. The report of this audit must be made on a form  
9 approved by the Secretary. A copy of the report must be  
10 promptly delivered to the Secretary as set forth in paragraph  
11 (C) of subsection (3).

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

16 (3) (A) The supervisory committee of a credit union with  
17 assets of \$10,000,000 or more shall engage a licensed  
18 certified public accountant or licensed certified public  
19 accounting firm to perform an annual external independent  
20 audit of the credit union's financial statements in accordance  
21 with generally accepted auditing standards and the financial  
22 statements shall be issued in accordance with accounting  
23 principles generally accepted in the United States of America.

24 (B) The supervisory committee of a credit union with  
25 assets of \$5,000,000 or more, but less than \$10,000,000, shall  
26 engage a licensed certified public accountant or licensed

1 certified public accounting firm to perform on an annual  
2 basis: (i) an agreed-upon procedures engagement under  
3 attestation standards established by the American Institute of  
4 Certified Public Accountants to minimally satisfy the  
5 supervisory committee internal audit standards set forth in  
6 subsection (1); or (ii) an external independent audit of the  
7 credit union's financial statements pursuant to the standards  
8 set forth in paragraph (A) of subsection (3).

9 (C) Notwithstanding anything to the contrary in Section 6,  
10 each credit union organized under this Act shall select the  
11 annual period it desires to use for purposes of performing the  
12 external independent audit, agreed-upon procedures engagement,  
13 or internal audit described in this Section. The annual period  
14 may end on the final day of any month and shall be construed to  
15 mean once every calendar year and not once every 12-month  
16 period. Irrespective of the annual period selected, the credit  
17 union shall complete its external independent audit report,  
18 agreed-upon procedures report, or internal audit report and  
19 deliver a copy to the Secretary no later than 120 days after  
20 the effective date of the audit or engagement, which shall  
21 mean the last day of the selected annual period. A credit union  
22 or group of credit unions may obtain an extension of the due  
23 date upon application to and receipt of written approval from  
24 the Secretary.

25 (D) If the credit union engages a licensed certified  
26 public accountant or licensed certified public accounting firm



1 to perform an annual external independent audit of the credit  
2 union's financial statements pursuant to the standards in  
3 paragraph (A) of subsection (3) or an annual agreed-upon  
4 procedures engagement pursuant to the standards in paragraph  
5 (B) of subsection (3), then the annual internal audit  
6 requirements of subsection (1) shall be deemed satisfied and  
7 met in all respects.

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

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

18 (B) supporting documentation is maintained for the  
19 technique used to develop the credit union loss rates,  
20 including the period of time used to accumulate historical  
21 loss data and the factors considered in establishing the  
22 time frames; and

23 (C) the external auditor conducting the credit union's  
24 financial statement audit has analyzed the methodology  
25 employed by the credit union and concludes that the  
26 financial statements, including the allowance for loan

1 losses, are fairly stated in all material respects in  
2 accordance with U.S. Generally Accepted Accounting  
3 Principles, as promulgated by the Financial Accounting  
4 Standards Board.

5 (5) A credit union with total assets of less than  
6 \$10,000,000 that does not engage a licensed certified public  
7 accountant or licensed certified public accounting firm to  
8 perform an annual external independent audit of the credit  
9 union's financial statements pursuant to the standards in  
10 paragraph (A) of subsection (3) is not required to determine  
11 its allowance for loan losses in accordance with generally  
12 accepted accounting principles. Any such credit union may  
13 instead use any reasonable reserve methodology, including  
14 incurred loss, if it adequately covers known and probable loan  
15 losses. Any such credit union shall also have the option of  
16 engaging a licensed certified public accountant or licensed  
17 certified public accounting firm to perform a financial  
18 statement audit in accordance with this regulatory basis of  
19 accounting rather than the standards in paragraph (A) of  
20 subsection (3).

21 (6) ~~(5)~~ A majority of the members of the supervisory  
22 committee shall constitute a quorum.

23 (7) ~~(6)~~ On an annual basis commencing January 1, 2015, the  
24 members of the supervisory committee shall receive training  
25 related to their statutory duties. Supervisory committee  
26 members may receive the training through internal credit union

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

9 (Source: P.A. 101-81, eff. 7-12-19; 102-496, eff. 8-20-21.)

10 (205 ILCS 305/39) (from Ch. 17, par. 4440)

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

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

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

1 worth.

2 (a) If a credit union chooses to establish a  
3 charitable donation account using a trust vehicle, the  
4 trustee must be an entity regulated by the Office of the  
5 Comptroller of the Currency, the U.S. Securities and  
6 Exchange Commission, another federal regulatory agency, or  
7 a State financial regulatory agency. A regulated trustee  
8 or other person who is authorized to make investment  
9 decisions for a charitable donation account, other than  
10 the credit union itself, shall either be registered with  
11 the U.S. Securities and Exchange Commission as an  
12 investment advisor or regulated by the Office of the  
13 Comptroller of the Currency.

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

26 (c) A credit union's charitable donation account

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

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

11 (3) Pursuant to subsection (20) of Section 13 authorizing  
12 a credit union to make reasonable contributions to civic,  
13 charitable, service, or religious corporations and to avoid  
14 the cost, administrative expenses, and reporting requirements  
15 associated with establishing its own private foundation, a  
16 credit union may establish one or more donor-advised fund  
17 accounts. The credit union shall maintain the account on its  
18 books and records under a name it selects, which may identify  
19 the account as a charitable or grant fund or other name that  
20 reflects the charitable nature of the account. The account  
21 shall be subject to the terms and restrictions set forth in  
22 this subsection.

23 (a) Transfers from a donor-advised fund account shall  
24 be limited to foundations exempt from taxation under  
25 Section 501(c)(3) of the Internal Revenue Code.

26 (b) Distributions by a foundation receiving

1 donor-advised funds from the credit union shall be:

2 (i) based upon specific grant recommendations of  
3 the credit union; and

4 (ii) limited to public charities exempt from  
5 taxation under Section 501(c)(3) of the Internal  
6 Revenue Code.

7 (c) Transfers by a credit union from its donor-advised  
8 fund account to a foundation irrevocably conveys all  
9 right, title, and interest in the funds to the foundation,  
10 subject only to the continuing right of the credit union  
11 to designate the entity or entities that will receive the  
12 grant funds. Grants may not be used to satisfy any  
13 obligation of the credit union and no goods or services  
14 may be received by the credit union from the recipient  
15 organization in consideration of the grant.

16 (Source: P.A. 97-133, eff. 1-1-12; 98-784, eff. 7-24-14.)

17 (205 ILCS 305/42) (from Ch. 17, par. 4443)

18 Sec. 42. Shares in trust.

19 (1) Shares may be issued in trust to a member as trustee or  
20 to an individual or corporate trustee. If a corporate trustee  
21 is a bank or trust company, shares may be issued to the  
22 corporate trustee only if such bank or trust company is  
23 organized under the laws of the State of Illinois or is a  
24 nationally chartered bank located principally in the State of  
25 Illinois. An individual trustee shall be a member of the

1 credit union unless the person establishing the trust in  
2 respect to which such shares are issued or each beneficiary of  
3 the trust is a member of the credit union and the name of each  
4 beneficiary is disclosed to the credit union. Shares may also  
5 be issued in the name of an individual or corporate  
6 representative under the Illinois Probate Act of 1975 (i) for  
7 or in respect to a member of a credit union; or (ii) for or in  
8 respect of a nonmember of a credit union, if the  
9 representative is an individual who is a member of the credit  
10 union. Shares may also be issued in trust under the Illinois  
11 Funeral or Burial Funds Act, for or in respect to a member of a  
12 credit union, to a trustee licensed under said Act. Any credit  
13 union which issues shares in trust as provided in this Section  
14 must be insured by the NCUA or another approved insurer.  
15 Payment of part or all of such shares to such trustee or member  
16 shall, to the extent of such payment, discharge the liability  
17 of the credit union to the member and the beneficiary and the  
18 credit union shall be under no obligation to see to the  
19 application of such payment.

20 (2) If a credit union's shares are insured as provided for  
21 in this Act, such credit union shall have power to act as  
22 trustee or custodian under individual retirement accounts or  
23 plans, health savings accounts, and similar tax-advantaged  
24 savings plans established pursuant to the Internal Revenue  
25 Code for its members or groups or organizations of its members  
26 provided the funds of such accounts or plans are invested

1 solely in (1) share accounts of, or (2) share accounts and  
2 obligations issued by such credit union. All funds held in  
3 such fiduciary capacity shall be maintained in accordance with  
4 applicable statutes and regulations promulgated thereunder by  
5 any authority exercising jurisdiction over such trusts or  
6 custodial accounts.

7 (3) Notwithstanding any language to the contrary in this  
8 Section 42, a credit union may act as trustee or custodian of  
9 individual retirement plans of its members established  
10 pursuant to the Employee Retirement Income Security Act of  
11 1974 or self-employed retirement plans established pursuant to  
12 the Self-Employed Individuals Retirement Act of 1962, and any  
13 laws amendatory or supplementary to such Acts, provided that:

14 (a) All contributions of funds are initially made to a  
15 share account in the credit union;

16 (b) Any subsequent transfer of funds to other assets  
17 is solely at the direction of the member and the credit  
18 union performs only custodial duties, exercises no  
19 investment discretion and provides no investment advice  
20 with respect to plan assets;

21 (c) The member is notified of the fact that share  
22 insurance coverage is limited to funds held in share  
23 accounts; and

24 (d) The credit union complies with all applicable  
25 provisions of this Act and applicable laws and regulations  
26 as may be promulgated by any authority exercising



1 jurisdiction over such trust or custodial accounts.

2 (Source: P.A. 94-150, eff. 7-8-05.)

3 (205 ILCS 305/59) (from Ch. 17, par. 4460)

4 Sec. 59. Investment of funds.

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

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

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

23 (3) In certificates of deposit or passbook type  
24 accounts issued by a state or national bank, mutual  
25 savings bank or savings and loan association; provided

1           that such institutions have their accounts insured by the  
2           Federal Deposit Insurance Corporation or the Federal  
3           Savings and Loan Insurance Corporation; but provided,  
4           further, that a credit union's investment in an account in  
5           any one institution may exceed the insured limit on  
6           accounts;

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

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

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

22          (7) In shares, stocks or obligations of other  
23          financial institutions in the total amount not exceeding  
24          5% of the unimpaired capital and surplus of the credit  
25          union;

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

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

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

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

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

24           (11) To aid in the credit union's management of its  
25 assets, liabilities, and liquidity in the purchase of an  
26 investment interest in a pool of loans, in whole or in part

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

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

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

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

1           (15) In shares, stocks, or units of financial  
2           technology companies in the total amount not exceeding 5%  
3           of the unimpaired capital and surplus of the credit union,  
4           so long as the investment complies with the documentation  
5           and separate corporate existence requirements set forth in  
6           the Department's rule relating to investments in credit  
7           union service organizations.

8           (b) As used in this Section:

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

18          "Financial institution" includes any bank, savings bank,  
19          savings and loan association, or credit union established  
20          under the laws of the United States, this State, or any other  
21          state.

22          "Financial technology company" includes any corporation,  
23          partnership, limited liability company, or other entity  
24          organized under the laws of Illinois, another state, or the  
25          United States of America:

26               (1) that the principal business of which is the

1 provision of financial products or financial services, or  
2 both, that:

3 (i) currently relate or may prospectively relate  
4 to the daily operations of credit unions;

5 (ii) are of current or prospective benefit to the  
6 members of credit unions; or

7 (iii) are of current or prospective benefit to  
8 consumers eligible for membership in credit unions;

9 and

10 (2) that applies technological interventions,  
11 including, without limitation, specialized software or  
12 algorithm processes, products, or solutions, to improve  
13 and automate the delivery and use of those financial  
14 products or financial services.

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

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

1 with those loans.

2 (Source: P.A. 101-567, eff. 8-23-19; 102-496, eff. 8-20-21.)

1 INDEX

2 Statutes amended in order of appearance

3 205 ILCS 305/16.5 new

4 205 ILCS 305/19 from Ch. 17, par. 4420

5 205 ILCS 305/20 from Ch. 17, par. 4421

6 205 ILCS 305/29 from Ch. 17, par. 4430

7 205 ILCS 305/34 from Ch. 17, par. 4435

8 205 ILCS 305/39 from Ch. 17, par. 4440

9 205 ILCS 305/42 from Ch. 17, par. 4443

10 205 ILCS 305/59 from Ch. 17, par. 4460