

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, 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 15
20 or 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 in accordance with
2 the terms of the credit union's written business plan
3 submitted to the Secretary under subsection (e).

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

12 (d) In addition to serving targeted populations of
13 individuals that become members pursuant to subsection (b), a
14 credit union may indirectly serve members of a targeted
15 population by making loans to or investments in community
16 development financial institutions, minority depository
17 institutions, and other businesses that serve the targeted
18 population, subject to the limits set forth in subsection (5)
19 of Section 51 and paragraph (14) of subsection (a) of Section
20 59.

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

1 services to be delivered, and the manner of delivery of those
2 financial products and financial services. The credit union
3 must submit the business plan to the Secretary. The Secretary
4 may, in his or her sole discretion, approve the business plan,
5 disapprove the business plan, or require the credit union to
6 modify the business plan to seek approval of the target market
7 as an occupational, community, or associational common bond or
8 common bonds, pursuant to 38 Ill. Adm. Code 190.10. The credit
9 union must be advised in writing of the findings of the
10 Secretary in support of the determination and the specific and
11 reasonable time period in which to file a modified plan. If the
12 Secretary approves the business plan, the credit union shall
13 be required to add the target market to its field of
14 membership.

15 (205 ILCS 305/19) (from Ch. 17, par. 4420)

16 Sec. 19. Meeting of members.

17 (1)(a) The annual meeting shall be held each year during
18 the months of January, February or March or such other month as
19 may be approved by the Department. The meeting shall be held at
20 the time, place and in the manner set forth in the bylaws. Any
21 special meetings of the members of the credit union shall be
22 held at the time, place and in the manner set forth in the
23 bylaws. Unless otherwise set forth in this Act, quorum
24 requirements for meetings of members shall be established by a
25 credit union in its bylaws. Notice of all meetings must be

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

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

26 (i) the credit union must internally possess or retain

1 the technological capacity to facilitate virtual meeting
2 attendance, participation, communication, and voting; and

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

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

24 (3) Regardless of the number of shares owned by a society,
25 association, club, partnership, other credit union or
26 corporation, having membership in the credit union, it shall

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

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

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

16 (6) ~~(5)~~ As used in this Section, "electronic", ~~and~~
17 "electronic record", and "security procedure" have the
18 meanings ascribed to those terms in the Uniform Electronic
19 Transactions Act. ~~As used in this Section, "secured electronic~~
20 ~~record" means an electronic record that meets the criteria set~~
21 ~~forth in Uniform Electronic Transactions Act.~~

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

24 (205 ILCS 305/20) (from Ch. 17, par. 4421)

25 Sec. 20. Election or appointment of officials.

1 (1) The credit union shall be directed by a board of
2 directors consisting of no less than 7 in number, to be elected
3 at the annual meeting by and from the members. Directors shall
4 hold office until the next annual meeting, unless their terms
5 are staggered. Upon amendment of its bylaws, a credit union
6 may divide the directors into 2 or 3 classes with each class as
7 nearly equal in number as possible. The term of office of the
8 directors of the first class shall expire at the first annual
9 meeting after their election, that of the second class shall
10 expire at the second annual meeting after their election, and
11 that of the third class, if any, shall expire at the third
12 annual meeting after their election. At each annual meeting
13 after the classification, the number of directors equal to the
14 number of directors whose terms expire at the time of the
15 meeting shall be elected to hold office until the second
16 succeeding annual meeting if there are 2 classes or until the
17 third succeeding annual meeting if there are 3 classes. A
18 director shall hold office for the term for which he or she is
19 elected and until his or her successor is elected and
20 qualified.

21 (1.5) Except as provided in subsection (1.10), in all
22 elections for directors, every member has the right to vote,
23 in person, by proxy, or by ~~secure~~ electronic record if
24 approved by the board of directors, the number of shares owned
25 by him, or in the case of a member other than a natural person,
26 the member's one vote, for as many persons as there are

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

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

1 elected.

2 (1.15) If the board of directors has adopted a policy
3 addressing age eligibility standards on voting, holding
4 office, or petitioning the board, then a credit union may
5 require (i) that members be at least 18 years of age by the
6 date of the meeting in order to vote at meetings of the
7 members, sign nominating petitions, or sign petitions
8 requesting special meetings, and (ii) that members be at least
9 18 years of age by the date of election or appointment in order
10 to hold elective or appointive office.

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

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

26 (4) The board of directors may appoint from among the

1 members of the credit union a membership committee of one or
2 more persons. If appointed, the committee shall act upon all
3 applications for membership and submit a report of its actions
4 to the board of directors at the next regular meeting for
5 review. If no membership committee is appointed, credit union
6 management shall act upon all applications for membership and
7 submit a report of its actions to the board of directors at the
8 next regular meeting for review.

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

1 in executive officer positions.

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

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

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

13 (205 ILCS 305/34) (from Ch. 17, par. 4435)

14 Sec. 34. Duties of supervisory committee.

15 (1) The supervisory committee shall make or cause to be
16 made an annual internal audit of the books and affairs of the
17 credit union to determine that the credit union's accounting
18 records and reports are prepared promptly and accurately
19 reflect operations and results, that internal controls are
20 established and effectively maintained to safeguard the assets
21 of the credit union, and that the policies, procedures and
22 practices established by the board of directors and management
23 of the credit union are being properly administered. The
24 supervisory committee shall submit a report of that audit to
25 the board of directors and a summary of that report to the

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

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

25 (3) (A) The supervisory committee of a credit union with
26 assets of \$10,000,000 or more shall engage a licensed

1 certified public accountant or licensed certified public
2 accounting firm to perform an annual external independent
3 audit of the credit union's financial statements in accordance
4 with generally accepted auditing standards and the financial
5 statements shall be issued in accordance with accounting
6 principles generally accepted in the United States of America.

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

20 (C) Notwithstanding anything to the contrary in Section 6,
21 each credit union organized under this Act shall select the
22 annual period it desires to use for purposes of performing the
23 external independent audit, agreed-upon procedures engagement,
24 or internal audit described in this Section. The annual period
25 may end on the final day of any month and shall be construed to
26 mean once every calendar year and not once every 12-month

1 period. Irrespective of the annual period selected, the credit
2 union shall complete its external independent audit report,
3 agreed-upon procedures report, or internal audit report and
4 deliver a copy to the Secretary no later than 120 days after
5 the effective date of the audit or engagement, which shall
6 mean the last day of the selected annual period. A credit union
7 or group of credit unions may obtain an extension of the due
8 date upon application to and receipt of written approval from
9 the Secretary.

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

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

23 (A) the methodology used to determine the defined
24 period of time is formally documented in the credit
25 union's policies and procedures and is appropriate to the
26 credit union's size, business strategy, and loan portfolio

1 characteristics and the economic environment of the areas
2 and employers served by the credit union;

3 (B) supporting documentation is maintained for the
4 technique used to develop the credit union loss rates,
5 including the period of time used to accumulate historical
6 loss data and the factors considered in establishing the
7 time frames; and

8 (C) the external auditor conducting the credit union's
9 financial statement audit has analyzed the methodology
10 employed by the credit union and concludes that the
11 financial statements, including the allowance for loan
12 losses, are fairly stated in all material respects in
13 accordance with U.S. Generally Accepted Accounting
14 Principles, as promulgated by the Financial Accounting
15 Standards Board, or the regulatory basis of accounting
16 identified in subsection (5).

17 (5) A credit union with total assets of less than
18 \$10,000,000 that does not engage a licensed certified public
19 accountant or licensed certified public accounting firm to
20 perform an annual external independent audit of the credit
21 union's financial statements pursuant to the standards in
22 paragraph (A) of subsection (3) is not required to determine
23 its allowance for loan losses in accordance with generally
24 accepted accounting principles. Any such credit union may
25 instead use any reasonable reserve methodology, including
26 incurred loss, if it adequately covers known and probable loan

1 losses and complies with the Department's rule addressing loan
2 loss accounting procedures in 38 Ill. Adm. Code 190.70. Any
3 such credit union shall also have the option of engaging a
4 licensed certified public accountant or licensed certified
5 public accounting firm to perform a financial statement audit
6 in accordance with this regulatory basis of accounting rather
7 than the standards in paragraph (A) of subsection (3).

8 (6) ~~(5)~~ A majority of the members of the supervisory
9 committee shall constitute a quorum.

10 (7) ~~(6)~~ On an annual basis commencing January 1, 2015, the
11 members of the supervisory committee shall receive training
12 related to their statutory duties. Supervisory committee
13 members may receive the training through internal credit union
14 training, external training offered by the credit union's
15 retained auditors, trade associations, vendors, regulatory
16 agencies, or any other sources or on-the-job experience, or a
17 combination of those activities. The training may be received
18 through any medium, including, but not limited to,
19 conferences, workshops, audit closing meetings, seminars,
20 teleconferences, webinars, and other Internet-based delivery
21 channels.

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

23 (205 ILCS 305/39) (from Ch. 17, par. 4440)

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

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

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

15 (a) If a credit union chooses to establish a
16 charitable donation account using a trust vehicle, the
17 trustee must be an entity regulated by the Office of the
18 Comptroller of the Currency, the U.S. Securities and
19 Exchange Commission, another federal regulatory agency, or
20 a State financial regulatory agency. A regulated trustee
21 or other person who is authorized to make investment
22 decisions for a charitable donation account, other than
23 the credit union itself, shall either be registered with
24 the U.S. Securities and Exchange Commission as an
25 investment advisor or regulated by the Office of the
26 Comptroller of the Currency.

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

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

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

24 (3) Pursuant to subsection (20) of Section 13 authorizing
25 a credit union to make reasonable contributions to civic,
26 charitable, service, or religious corporations and to avoid

1 the cost, administrative expenses, and reporting requirements
2 associated with establishing its own private foundation, a
3 credit union may establish one or more donor-advised fund
4 accounts. The credit union shall maintain the account on its
5 books and records under a name it selects, which may identify
6 the account as a charitable or grant fund or other name that
7 reflects the charitable nature of the account. The account
8 shall be subject to the terms and restrictions set forth in
9 this subsection.

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

13 (b) Distributions by a foundation receiving
14 donor-advised funds from the credit union shall be:

15 (i) based upon specific grant recommendations of
16 the credit union; and

17 (ii) limited to public charities exempt from
18 taxation under Section 501(c)(3) of the Internal
19 Revenue Code.

20 (c) Transfers by a credit union from its donor-advised
21 fund account to a foundation irrevocably conveys all
22 right, title, and interest in the funds to the foundation,
23 subject only to the continuing right of the credit union
24 to designate the entity or entities that will receive the
25 grant funds. Grants may not be used to satisfy any
26 obligation of the credit union and no goods or services

1 may be received by the credit union from the recipient
2 organization in consideration of the grant.

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

4 (205 ILCS 305/42) (from Ch. 17, par. 4443)

5 Sec. 42. Shares in trust.

6 (1) Shares may be issued in trust to a member as trustee or
7 to an individual or corporate trustee. If a corporate trustee
8 is a bank or trust company, shares may be issued to the
9 corporate trustee only if such bank or trust company is
10 organized under the laws of the State of Illinois or is a
11 nationally chartered bank located principally in the State of
12 Illinois. An individual trustee shall be a member of the
13 credit union unless the person establishing the trust in
14 respect to which such shares are issued or each beneficiary of
15 the trust is a member of the credit union and the name of each
16 beneficiary is disclosed to the credit union. Shares may also
17 be issued in the name of an individual or corporate
18 representative under the Illinois Probate Act of 1975 (i) for
19 or in respect to a member of a credit union; or (ii) for or in
20 respect of a nonmember of a credit union, if the
21 representative is an individual who is a member of the credit
22 union. Shares may also be issued in trust under the Illinois
23 Funeral or Burial Funds Act, for or in respect to a member of a
24 credit union, to a trustee licensed under said Act. Any credit
25 union which issues shares in trust as provided in this Section

1 must be insured by the NCUA or another approved insurer.
2 Payment of part or all of such shares to such trustee or member
3 shall, to the extent of such payment, discharge the liability
4 of the credit union to the member and the beneficiary and the
5 credit union shall be under no obligation to see to the
6 application of such payment.

7 (2) If a credit union's shares are insured as provided for
8 in this Act, such credit union shall have power to act as
9 trustee or custodian under individual retirement accounts or
10 plans, health savings accounts, and similar tax-advantaged
11 savings plans established pursuant to the Internal Revenue
12 Code for its members or groups or organizations of its members
13 provided the funds of such accounts or plans are invested
14 solely in (1) share accounts of, or (2) share accounts and
15 obligations issued by such credit union. All funds held in
16 such fiduciary capacity shall be maintained in accordance with
17 applicable statutes and regulations promulgated thereunder by
18 any authority exercising jurisdiction over such trusts or
19 custodial accounts.

20 (3) Notwithstanding any language to the contrary in this
21 Section 42, a credit union may act as trustee or custodian of
22 individual retirement plans of its members established
23 pursuant to the Employee Retirement Income Security Act of
24 1974 or self-employed retirement plans established pursuant to
25 the Self-Employed Individuals Retirement Act of 1962, and any
26 laws amendatory or supplementary to such Acts, provided that:

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

3 (b) Any subsequent transfer of funds to other assets
4 is solely at the direction of the member and the credit
5 union performs only custodial duties, exercises no
6 investment discretion and provides no investment advice
7 with respect to plan assets;

8 (c) The member is notified of the fact that share
9 insurance coverage is limited to funds held in share
10 accounts; and

11 (d) The credit union complies with all applicable
12 provisions of this Act and applicable laws and regulations
13 as may be promulgated by any authority exercising
14 jurisdiction over such trust or custodial accounts.

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

16 (205 ILCS 305/59) (from Ch. 17, par. 4460)

17 Sec. 59. Investment of funds.

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

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

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

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

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

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

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

9 (7) In shares, stocks or obligations of other
10 financial institutions in the total amount not exceeding
11 5% of the unimpaired capital and surplus of the credit
12 union;

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

14 (9) In shares or stocks of Credit Union Service
15 Organizations in the total amount not exceeding the
16 greater of 6% of the unimpaired capital and surplus of the
17 credit union or the amount authorized for federal credit
18 unions;

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

22 (i) the board of directors has established a
23 written policy that addresses corporate bond
24 investment procedures and how the credit union will
25 manage credit risk, interest rate risk, liquidity
26 risk, and concentration risk; and

1 (ii) the credit union has documented in its
2 records that a credit analysis of a particular
3 investment and the issuing entity was conducted by the
4 credit union, a third party on behalf of the credit
5 union qualified by education or experience to assess
6 the risk characteristics of corporate bonds, or a
7 nationally recognized statistical rating agency before
8 purchasing the investment and the analysis is updated
9 at least annually for as long as it holds the
10 investment;

11 (11) To aid in the credit union's management of its
12 assets, liabilities, and liquidity in the purchase of an
13 investment interest in a pool of loans, in whole or in part
14 and without regard to the membership of the borrowers,
15 from other depository institutions and financial type
16 institutions, including mortgage banks, finance companies,
17 insurance companies, and other loan sellers, subject to
18 such safety and soundness standards, limitations, and
19 qualifications as the Department may establish by rule or
20 guidance from time to time;

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

26 (13) In the purchase and assumption of assets held by

1 other financial institutions, with approval of the
2 Secretary and subject to any safety and soundness
3 standards, limitations, and qualifications as the
4 Department may establish by rule or guidance from time to
5 time; ~~and~~

6 (14) In the shares, stocks, or obligations of
7 community development financial institutions as defined in
8 regulations issued by the U.S. Department of the Treasury
9 and minority depository institutions as defined by the
10 National Credit Union Administration; however the
11 aggregate amount of all such investments shall not at any
12 time exceed 5% of the paid-in and unimpaired capital and
13 surplus of the credit union; and -

14 (15) (A) In shares, stocks, or member units of
15 financial technology companies in the total amount not
16 exceeding 2.5% of the net worth of the credit union, so
17 long as:

18 (i) the credit union would remain well capitalized
19 as defined by 12 CFR 702.102 if the credit union
20 reduced its net worth by the full investment amount at
21 the time the investment is made or at any point during
22 the time the investment is held by the credit union;

23 (ii) the credit union and the financial technology
24 company are operated in a manner that demonstrates to
25 the public the separate corporate existence of the
26 credit union and financial technology company; and

1 (iii) the credit union has received a composite
2 rating of 1 or 2 under the CAMELS supervisory rating
3 system.

4 (B) The investment limit in subparagraph (A) of this
5 paragraph (15) is increased to 5% of the net worth of the
6 credit union, if it has received a management rating of 1
7 under the CAMELS supervisory rating system at the time a
8 specific investment is made and at all times during the
9 term of the investment. A credit union that satisfies the
10 criteria in subparagraph (A) of this paragraph (15) and
11 this subparagraph may request approval from the Secretary
12 for an exception to the 5% limit up to a limit of 10% of
13 the net worth of the credit union, subject to such safety
14 and soundness standards, limitations, and qualifications
15 as the Department may establish by rule or guidance from
16 time to time. The request shall be in writing and
17 substantiate the need for the higher limit, describe the
18 credit union's record of investment activity, and include
19 financial statements reflecting a sound fiscal history.

20 (C) Before investing in a financial technology
21 company, the credit union shall obtain a written legal
22 opinion as to whether the financial technology company is
23 established in a manner that will limit potential exposure
24 of the credit union to no more than the loss of funds
25 invested in the financial technology company and the legal
26 opinion shall:

1 (i) address factors that have led courts to
2 "pierce the corporate veil", such as inadequate
3 capitalization, lack of separate corporate identity,
4 common boards of directors and employees, control of
5 one entity over another, and lack of separate books
6 and records; and

7 (ii) be provided by independent legal counsel of
8 the credit union.

9 (D) Before investing in the financial technology
10 company, the credit union shall enter into a written
11 investment agreement with the financial technology company
12 and the agreement shall contain the following clauses:

13 (i) the financial technology company will: (I)
14 provide the Department with access to the books and
15 records of the financial technology company relating
16 to the investment made by the credit union, with the
17 costs of examining those records borne by the credit
18 union in accordance with the per diem rate established
19 by the Department by rule; (II) follow generally
20 accepted accounting principles; and (III) provide the
21 credit union with its financial statements on at least
22 a quarterly basis and certified public accountant
23 audited financial statements on an annual basis; and

24 (ii) the financial technology company and credit
25 union agree to terminate their contractual
26 relationship: (I) upon 90 days' written notice to the

1 parties by the Secretary that the safety and soundness
2 of the credit union is threatened pursuant to the
3 Department's cease and desist and suspension authority
4 in Sections 8 and 61; (II) upon 30 days' written notice
5 to the parties if the credit union's net worth ratio
6 falls below the level that classifies it as
7 well-capitalized as defined by 12 CFR 702.102; and
8 (III) immediately upon the parties' receipt of written
9 notice from the Secretary when the Secretary
10 reasonably concludes, based upon specific facts set
11 forth in the notice to the parties, that the credit
12 union will suffer immediate, substantial, and
13 irreparable injury or loss if it remains a party to the
14 investment agreement.

15 (E) The termination of the investment agreement
16 between the financial technology company and credit union
17 shall in no way operate to relieve the financial
18 technology company from repaying the investment or other
19 obligation due and owing the credit union at the time of
20 termination.

21 (F) Any financial technology company in which a credit
22 union invests pursuant to this paragraph (15) that
23 directly or indirectly originates, purchases, facilitates,
24 brokers, or services loans to consumers in Illinois shall
25 not charge an interest rate that exceeds the applicable
26 maximum rate established by the Board of the National

1 Credit Union Administration pursuant to 12 CFR
2 701.21(c)(7)(iii)-(iv). The maximum interest rate
3 described in this subparagraph that may be charged by a
4 financial technology company applies to all consumer loans
5 and consumer credit products.

6 (b) As used in this Section:

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

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

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

24 (1) that the principal business of which is the
25 provision of financial products or financial services, or
26 both, that:

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

3 (ii) are of current or prospective benefit to the
4 members of credit unions; or

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

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

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

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

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

1 Section 99. Effective date. This Act takes effect upon
2 becoming law, except that Section 16.5 of the Illinois Credit
3 Union Act takes effect January 1, 2023.

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