

AN ACT concerning regulation.

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

Section 5. The Illinois Credit Union Act is amended by changing Sections 2, 11, 19, 20, 34.1, 48, 53, 57, 59, and 64.7 as follows:

(205 ILCS 305/2) (from Ch. 17, par. 4403)

Sec. 2. Organization Procedure.

(1) Any 9 or more persons of legal age, the majority of whom shall be residents of the State of Illinois, who have a common bond referred to in Section 1.1 may organize a credit union or a central credit union by complying with this Section.

(2) The subscribers shall execute in duplicate Articles of Incorporation and agree to the terms thereof, which Articles shall state:

(a) The name, which shall include the words "credit union" and which shall not be the same as that of any other existing credit union in this state, and the location where the proposed credit union is to have its principal place of business;

(b) The common bond of the members of the credit union;

(c) The par value of the shares of the credit union, which must be at least \$1 ~~\$5.00~~;

(d) The names, addresses and Social Security numbers of the subscribers to the Articles of Incorporation, and the number and the value of shares subscribed to by each;

(e) That the credit union may exercise such incidental powers as are necessary or requisite to enable it to carry on effectively the purposes for which it is incorporated, and those powers which are inherent in the credit union as a legal entity;

(f) That the existence of the credit union shall be perpetual.

(3) The subscribers shall prepare and adopt bylaws for the general government of the credit union, consistent with this Act, and execute same in duplicate.

(4) The subscribers shall forward the articles of incorporation and the bylaws to the Secretary in duplicate, along with the required charter fee. If they conform to the law, and such rules and regulations as the Secretary and the Director may prescribe, if the Secretary determines that a common bond exists, and that it is economically advisable to organize the credit union, he or she shall within 60 days issue a certificate of approval attached to the articles of incorporation and return a copy of the bylaws and the articles of incorporation to the applicants or their representative, which shall be preserved in the permanent files of the credit union. The subscribers shall file the certificate of approval, with the articles of incorporation attached, in the office of

the recorder (or, if there is no recorder, in the office of the county clerk) of the county in which the credit union is to locate its principal place of business. The recorder or the county clerk, as the case may be, shall accept and record the documents if they are accompanied by the proper fee. When the documents are so recorded, the credit union is incorporated under this Act.

(5) The subscribers for a credit union charter shall not transact any business until the certificate of approval has been received.

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

(205 ILCS 305/11) (from Ch. 17, par. 4412)

Sec. 11. Board of credit union advisors.

(1) There shall be a board of credit union advisors who shall consult with, advise, and make recommendations to the Governor and to the Secretary on matters pertaining to credit unions. The board of credit union advisors may also advise the Governor and Secretary upon appointments and employment of personnel in connection with the supervision and regulation of credit unions.

(2) The board of credit union advisors shall consist of 7 persons with credit union experience who shall be appointed by the Governor. Appointments to the board shall be for terms of 3 years each, except that initial appointments shall be: 3 members for 3 years each; 3 members for 2 years each and 1

member for 1 year.

(3) All members shall serve until their successors have been appointed and qualified. In the event a vacancy occurs, the appointment to fill such vacancy shall be made in the manner of original appointment, but only for the unexpired term.

(4) The chairman of the board of credit union advisors shall be elected annually by a majority of the board members at the first meeting of the board each year.

(5) The initial meeting of the board shall be called by the Secretary and thereafter regular meetings shall be held at such times and places as shall be determined by the Governor, chairman, or Secretary, but at least once each calendar year ~~6 months~~. Special meetings may be called either by the Governor, the Secretary, the Director, the chairman, or by written notice sent by 2 or more members of the board. A majority of the members of the board shall constitute a quorum.

(6) The Department shall reimburse the board members for their actual and necessary travel and subsistence expenses.

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

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

Sec. 19. Meeting of members.

(1) The annual meeting shall be held each year during the months of January, February or March or such other month as may be approved by the Department. The meeting shall be held at the

time, place and in the manner set forth in the bylaws. Any special meetings of the members of the credit union shall be held at the time, place and in the manner set forth in the bylaws. Unless otherwise set forth in this Act, quorum requirements for meetings of members shall be established by a credit union in its bylaws. Notice of all meetings must be given by the secretary of the credit union at least 7 days before the date of such meeting, either by handing a written or printed notice to each member of the credit union, by mailing the notice to the member at his address as listed on the books and records of the credit union, or by posting a notice of the meeting in three conspicuous places, including the office of the credit union.

(2) On all questions and at all elections, except election of directors, each member has one vote regardless of the number of his shares. There shall be no voting by proxy except on the election of directors, proposals for merger or voluntary dissolution. Members may vote on questions and in elections by secure electronic record if approved by the board of directors. All voting on the election of directors shall be by ballot, but when there is no contest, written or electronic ballots need not be cast. The record date to be used for the purpose of determining which members are entitled to notice of or to vote at any meeting of members, may be fixed in advance by the directors on a date not more than 90 days nor less than 10 days prior to the date of the meeting. If no record date is fixed by

the directors, the first day on which notice of the meeting is given, mailed or posted is the record date.

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

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

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

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

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

Sec. 20. Election or appointment of officials.

(1) The credit union shall be directed by a board of

directors consisting of no less than 7 in number, to be elected at the annual meeting by and from the members. Directors shall hold office until the next annual meeting, unless their terms are staggered. Upon amendment of its bylaws, a credit union may divide the directors into 2 or 3 classes with each class as nearly equal in number as possible. The term of office of the directors of the first class shall expire at the first annual meeting after their election, that of the second class shall expire at the second annual meeting after their election, and that of the third class, if any, shall expire at the third annual meeting after their election. At each annual meeting after the classification, the number of directors equal to the number of directors whose terms expire at the time of the meeting shall be elected to hold office until the second succeeding annual meeting if there are 2 classes or until the third succeeding annual meeting if there are 3 classes. A director shall hold office for the term for which he or she is elected and until his or her successor is elected and qualified.

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

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

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

(1.15) If the board of directors has adopted a policy

addressing age eligibility standards on voting, holding office, or petitioning the board, then a credit union may require (i) that members be at least 18 years of age by the date of the meeting in order to vote at meetings of the members, sign nominating petitions, or sign petitions requesting special meetings, and (ii) that members be at least 18 years of age by the date of election or appointment in order to hold elective or appointive office.

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

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

(4) The board of directors may appoint from among the members of the credit union a membership committee of one or more persons. If appointed, the committee shall act upon all

applications for membership and submit a report of its actions to the board of directors at the next regular meeting for review. If no membership committee is appointed, credit union management shall act upon all applications for membership and submit a report of its actions to the board of directors at the next regular meeting for review.

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

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

(205 ILCS 305/34.1)

Sec. 34.1. Compliance review.

(a) As used in this Section:

"Affiliate" means an organization established to serve the needs of credit unions, the business of which relates to the daily operations of credit unions.

"Compliance review committee" means:

(1) one or more persons appointed by the management, board of directors, or supervisory committee of a credit union for the purposes set forth in subsection (b); or

(2) any other person to the extent the person acts in an investigatory capacity at the direction of a compliance

review committee.

"Compliance review documents" means documents prepared in connection with a review or evaluation conducted by or for a compliance review committee.

"Person" means an individual, a group of individuals, a board committee, a partnership, a firm, an association, a corporation, or any other entity.

(b) This Section applies to compliance review committees whose functions are to evaluate and seek to improve any of the following:

- (1) loan policies or underwriting standards;
- (2) asset quality;
- (3) financial reporting to federal or State governmental or regulatory agencies; or
- (4) compliance with federal or State statutory or regulatory requirements.

(c) Except as provided in subsection (d), compliance review documents and the deliberations of the compliance review committee are privileged and confidential and are nondiscoverable and nonadmissible.

(1) Compliance review documents are privileged and confidential and are not subject to discovery or admissible in evidence in any civil action.

(2) Individuals serving on compliance review committees or acting under the direction of a compliance review committee shall not be required to testify in any

civil action about the contents of any compliance review document or conclusions of any compliance review committee or about the actions taken by a compliance review committee.

(3) An affiliate of a credit union, a credit union regulatory agency, and the insurer of credit union share accounts shall have access to compliance review documents, provided that (i) the documents shall remain confidential and are not subject to discovery from such entity and (ii) delivery of compliance review documents to an affiliate or pursuant to the requirements of a credit union regulatory agency or an insurer of credit union share accounts shall not constitute a waiver of the privilege granted in this Section.

(d) This Section does not apply to: (1) compliance review committees on which individuals serving on or at the direction of the compliance review committee have management responsibility for the operations, records, employees, or activities being examined or evaluated by the compliance review committee and (2) any civil or administrative action initiated by a credit union regulatory agency or an insurer of credit union share accounts.

(e) This Section shall not be construed to limit the discovery or admissibility in any civil action of any documents other than compliance review documents or to require the appointment of a compliance review committee.

(Source: P.A. 90-665, eff. 7-30-98; revised 9-14-16.)

(205 ILCS 305/48) (from Ch. 17, par. 4449)

Sec. 48. Loan limit. Within any limitations set forth in a policy adopted by ~~the bylaws of the credit union,~~ the board of directors, a credit union may place a limit upon the aggregate amount to be loaned to or cosigned for by any one member provided that. ~~Such loan limits shall be subject to rules and regulations promulgated by the Secretary. Unless the credit union's bylaws provide otherwise,~~ no loan shall be made to any member in an aggregate amount in excess of ~~\$200, or~~ 10% of the credit union's unimpaired capital and surplus, ~~whichever is greater.~~ Such loan limits shall be subject to rules adopted by the Secretary.

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

(205 ILCS 305/53) (from Ch. 17, par. 4454)

Sec. 53. Loans to credit unions. A credit union may make loans to other credit unions if so provided and within the limits set forth in a policy adopted by the board of directors ~~its bylaws.~~

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

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

Sec. 57. Group purchasing and marketing.

(a) A credit union may, consistent with rules and

regulations promulgated by the Secretary, enter into cooperative marketing arrangements to facilitate its members' voluntary purchase of such goods and services as are in the interest of improving economic and social conditions of the members.

(b) A credit union may create and use descriptive and brand references to promote and market its identity, services, and products to its members.

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

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

Sec. 59. Investment of funds.

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

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

(2) In obligations of any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and the several territories organized by Congress, or any political subdivision thereof; however, a credit union may not invest more than 10% of its unimpaired capital and surplus in the obligations of one issuer, exclusive of

general obligations of the issuer, and investments in municipal securities must be limited to securities rated in one of the 4 highest rating categories by a nationally recognized statistical rating organization;

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

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

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

(6) In obligations of the State of Israel, or obligations fully guaranteed by the State of Israel as to

payment of principal and interest;

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

(8) In federal funds and bankers' acceptances;

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

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

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

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

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

(b) As used in this Section, "political subdivision" includes, but is not limited to, counties, townships, cities, villages, incorporated towns, school districts, educational service regions, special road districts, public water supply districts, fire protection districts, drainage districts, levee districts, sewer districts, housing authorities, park districts, and any agency, corporation, or instrumentality of a state or its political subdivisions, whether now or hereafter created and whether herein specifically mentioned or not.

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

employee benefit plan.

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

(205 ILCS 305/64.7)

Sec. 64.7. Network credit unions.

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

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

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

(c) Each divisional credit union may ~~shall~~ have an ~~its own~~ advisory board of directors and a chief management official to assist in maintaining and leveraging its respective local identity for the benefit of the surviving credit union. The divisional credit union advisory boards shall be appointed by the network credit union board of directors. Each divisional credit union's advisory board of directors may ~~shall~~ appoint a ~~its~~ divisional credit union chief management official and may also appoint one of its directors to serve on the network credit union's nominating committee. A divisional credit union may determine to identify its advisory board as a committee and its divisional chief management official with a title it deems reasonable and appropriate.

(d) ~~(e)~~ The network credit union is the surviving legal entity in the merger and supervision, examination, audit, reporting, governance, and management shall be conducted or performed at the network credit union level. All share insurance, safety and soundness, and statutory and regulatory requirements and limitations shall be evaluated at the network credit union level.

Public Act 100-0361

HB1792 Enrolled

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(Source: P.A. 99-614, eff. 7-22-16.)

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

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| 205 ILCS 305/19 | from Ch. 17, par. 4420 |
| 205 ILCS 305/20 | from Ch. 17, par. 4421 |
| 205 ILCS 305/34.1 | |
| 205 ILCS 305/48 | from Ch. 17, par. 4449 |
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