

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 15, 23, 57.1, 59, and 63 and by adding Sections 10.2 and 44.1 as follows:

(205 ILCS 305/10.2 new)

Sec. 10.2. Electronic records.

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

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

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

or distribution specified in this Act.

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

Sec. 15. Membership defined.

(1) The membership of a credit union shall be limited to and consist of the subscribers to the articles of incorporation and such other persons within the common bond, as defined in this Act and as set forth in the credit union's articles of incorporation, as have been duly admitted members, have paid the required entrance fee or membership fee, or both, if any, have subscribed for one or more shares, and have paid the initial installment thereon, and have complied with such other requirements as the articles of incorporation or bylaws specify. Two or more persons within the common bond who have jointly subscribed for one or more shares under a joint account and have complied with all membership requirements may each be admitted to membership. The surviving spouse of a credit union member may, within 6 months of the member's death, become a member of the credit union by paying the required entrance fee or membership fee or both, if any, by subscribing for one or more shares and paying the initial installment thereon, and by complying with such other requirements as the articles of incorporation or bylaws specify.

(2) Any member may withdraw from a credit union at any time upon giving notice of withdrawal as required by the bylaws.

(3) Any member may be expelled by a 2/3 vote of the members

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

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

(i) causing a loss to the credit union;

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

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

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

(v) otherwise violating board policy applicable to members.

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

fees or charges due the credit union.

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

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

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

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

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

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

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

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

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

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

Sec. 23. Compensation of officials.

(1) Directors and committee members ~~No director or committee member~~ may receive reasonable compensation for their ~~his~~ service as such, the amount of which shall be set by the board of directors. The Department shall, by rule, establish maximum rates of reasonable compensation that are generally applicable to credit unions considering factors the Department may establish from time to time, including, but not limited to, total assets, nonprofit cooperative structure, and the best interests of members. "Compensation" as used in this subsection (1) refers to remuneration expense to the credit union for services provided by a director or committee member in his or her capacity as director or committee member. The remuneration expense shall be disclosed on an annual basis to the membership in the financial statement that is part of the annual membership meeting materials. The disclosure shall contain:

(i) the amount paid to each director and (ii) the amount paid to the directors as a group. ~~"Compensation" as used in this subsection (1) does not include~~

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

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

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

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

(205 ILCS 305/44.1 new)

Sec. 44.1. Unclaimed property; dormancy or escheat fee. A credit union may deduct a dormancy charge or an escheat fee from property required to be paid or delivered to the administrator under the Revised Uniform Unclaimed Property Act, provided the amount of the deduction is consistent with

the standards set forth in subsection (b) of Section 15-602 of that Act. In making the deduction, a credit union may allocate, classify, and record all or a portion of the deduction, as applicable, as the minimum share amount required to preserve the member's status as a member of the credit union.

(205 ILCS 305/57.1)

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

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

(2) providing correspondent services to other credit unions or other organizations that the service provider credit union is authorized to perform for its own members or as part of its operations, including, but not limited to, loan processing, loan servicing, member check cashing services, disbursing share withdrawals and loan proceeds, cashing and selling money orders, ACH and wire transfer services, implementation and administrative support services related to the use of debit cards, payroll debit cards, and other prepaid debit cards and credit cards, coin and currency services, performing internal audits, and automated teller machine deposit services.

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

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

Sec. 59. Investment of funds.

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

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

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

(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;

(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;

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

(13) In the purchase and assumption of assets held by other financial institutions, with approval of the Secretary and subject to any 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.

"Financial institution" includes any bank, savings bank,

savings and loan association, or credit union established under the laws of the United States, this State, or any other state.

(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.

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

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

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

Sec. 63. Merger and consolidation.

(1) Any two or more credit unions, regardless of whether or not they have the same common bond, may merge or consolidate into a single credit union. A merger or consolidation may be with a credit union organized under the laws of this State or of another state or of the United States and is subject to the approval of the Secretary. It must be made on such terms as have been agreed upon by a vote of a majority of the board of

directors of each credit union, and approved by an affirmative vote of a majority of the members of the merging credit union being absorbed present at a meeting, either in person or by proxy, duly called for that purpose, except as hereinafter specified. Notice of the meeting stating the purpose must be sent by the Secretary of each merging credit union being absorbed to each member by mail at least 45 but no more than 90 7 days before the date of the meeting.

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

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

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

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

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

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

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

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

(5) Upon issuance of the certificate of approval, each merging credit union which was absorbed shall cease operation. Each party to the merger shall file the certificate of approval with the Recorder or County Clerk of the county in which the credit union has or had its principal office.

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

bylaws.

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

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

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

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