



Sen. David Koehler

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LRB104 19645 BAB 35179 a

1 AMENDMENT TO SENATE BILL 3113

2 AMENDMENT NO. _____. Amend Senate Bill 3113 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The Illinois Credit Union Act is amended by
5 changing Sections 15, 20, 26, 29, 30, and 59 and by adding
6 Sections 57.3 and 57.5 as follows:

7 (205 ILCS 305/15) (from Ch. 17, par. 4416)

8 Sec. 15. Membership defined.

9 (1) The membership of a credit union shall be limited to
10 and consist of the subscribers to the articles of
11 incorporation and such other persons within the common bond,
12 as defined in this Act and as set forth in the credit union's
13 articles of incorporation, as have been duly admitted members,
14 have paid the required entrance fee or membership fee, or
15 both, if any, have subscribed for one or more shares, and have
16 paid the initial installment thereon, and have complied with

1 such other requirements as the articles of incorporation or
2 bylaws specify. Two or more persons within the common bond who
3 have jointly subscribed for one or more shares under a joint
4 account and have complied with all membership requirements may
5 each be admitted to membership. The surviving spouse of a
6 credit union member may, within 6 months of the member's
7 death, become a member of the credit union by paying the
8 required entrance fee or membership fee or both, if any, by
9 subscribing for one or more shares and paying the initial
10 installment thereon, and by complying with such other
11 requirements as the articles of incorporation or bylaws
12 specify.

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

15 (3) Any member may be expelled by a 2/3 vote of the members
16 present at any regular or special meeting called to consider
17 the matter, but only after an opportunity has been given to the
18 member to be heard.

19 (4) A member may be expelled by a majority vote of a quorum
20 of directors if the board has adopted a policy providing for
21 expulsion for any of the following acts committed by the
22 member:

23 (i) causing a loss to the credit union;

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

26 (iii) committing fraud or any similar misdeed against

1 the credit union;

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

6 (v) otherwise violating board policy applicable to
7 members.

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

14 The policy may delegate the expulsion authority to the
15 senior management officials of the credit union. If a member
16 is expelled by a senior management official of the credit
17 union, the member may, within 30 days after the expulsion,
18 seek reinstatement by appealing the action in writing to the
19 board of directors of the credit union. The board may affirm,
20 disaffirm, or modify the action, and the board's decision is
21 final. As used in this subsection (4), "senior management
22 official" includes the chief management officer of the credit
23 union (including the person holding the title of President or
24 Chief Executive Officer, or both, or Treasurer/Manager) and
25 other management officers of the credit union (including,
26 without limitation, the persons holding the title of Chief

1 Operating Officer, Chief Financial Officer, Chief
2 Administrative Officer, Chief Information Officer, Chief
3 Security Officer, Chief Experience Officer, Chief Legal
4 Officer, Executive Vice President, Senior Vice President, or
5 Vice President). This list is an illustrative and not
6 exhaustive list of management officers that qualify as senior
7 management officials.

8 If a policy is adopted by the board pursuant to this
9 subsection (4), the policy shall be distributed not fewer than
10 30 days before the effective date of the policy by: (i) mailing
11 it to each member of the credit union at the member's current
12 address appearing on the records of the credit union; (ii)
13 electronically delivering it to all members by posting it on
14 the credit union's website; or (iii) disclosing it to all
15 members in membership newsletters or account statements. In
16 addition, new members shall be provided written notice of the
17 policy prior to or upon applying for membership by using one of
18 the distribution methods described in this subsection (4).

19 (5) All or any part of the amount paid on shares of a
20 withdrawing member or expelled member with any declared
21 dividends or interest on the date of withdrawal or expulsion
22 must, after deducting all amounts due from the member to the
23 credit union, be paid to him. The credit union may require not
24 more than 60 days' written notice of intention to withdraw
25 shares, but a notice of withdrawal does not entitle the member
26 to any preferred or prior claim in the event of liquidation.

1 Withdrawing or expelled members have no further rights in the
2 credit union, but are not, by withdrawal or expulsion,
3 released from any obligation they owe to the credit union.

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

10 (7) If a member fails to maintain one fully paid share, the
11 credit union, at its option, may permit the member to
12 re-subscribe and pay for one or more shares within 30 days
13 after the date the member failed to maintain one fully paid
14 share, without affecting the member's status or rights as a
15 member during that period. A member that fails to re-subscribe
16 for at least one fully paid share within the 30-day period
17 shall be automatically expelled from the credit union and
18 treated as an expelled member under subsection (5) of this
19 Section 15.

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

21 (205 ILCS 305/20) (from Ch. 17, par. 4421)

22 Sec. 20. Election or appointment of officials.

23 (1) The credit union shall be directed by a board of
24 directors consisting of no less than 7 in number, to be elected
25 at the annual meeting by and from the members. Directors shall

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

18 (1.5) Except as provided in subsection (1.10), in all
19 elections for directors, every member has the right to vote,
20 in person, by proxy, or by electronic record if approved by the
21 board of directors, the number of shares owned by him, or in
22 the case of a member other than a natural person, the member's
23 one vote, for as many persons as there are directors to be
24 elected, or to cumulate such shares, and give one candidate as
25 many votes as the number of directors multiplied by the number
26 of his shares equals, or to distribute them on the same

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

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

24 (1.15) If the board of directors has adopted a policy
25 addressing age eligibility standards on voting, holding
26 office, or petitioning the board, then a credit union may

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

7 (2) The board of directors shall appoint from among the
8 members of the credit union, a supervisory committee of not
9 less than 3 members at the organization meeting and within 30
10 days following each annual meeting of the members for such
11 terms as the bylaws provide. Members of the supervisory
12 committee may, but need not be, on the board of directors, but
13 shall not be officers of the credit union.

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

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

1 next regular meeting for review.

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

21 (6) The board of directors may create one or more other
22 committees in addition to the committees identified in this
23 Section and appoint directors or such other persons as the
24 board designates to serve on the committee or committees. Any
25 such committee shall serve at the pleasure of the board of
26 directors and it shall not act on behalf of the credit union or

1 bind it to any action, but it may make recommendations to the
2 board of directors.

3 (7) (a) The board of directors may appoint an individual as
4 a registered agent for the credit union. The name of the
5 registered agent appointed by the board of directors shall be
6 identified in the annual report filed by the credit union on
7 the annual report form supplied by the Department. The
8 business office of the registered agent may, but is not
9 required to, shall be the same as the principal place of
10 business of the credit union. Any process, notice, or demand
11 required or permitted by law to be served upon the credit union
12 may be served upon the registered agent appointed by the
13 credit union.

14 (b) A credit union that has appointed a registered agent
15 shall post on its website the name of its registered agent, the
16 address of its principal place of business, and that the
17 appointment was authorized by action of the board of
18 directors.

19 (c) A credit union that has appointed a registered agent
20 may change its registered agent at any time by posting on its
21 website a statement setting forth the following:

22 (i) the address of its principal place of business,
23 (ii) the name of its existing registered agent,
24 (iii) the name of its successor registered agent, and
25 (iv) that the change was authorized by action of the
26 board of directors.

1 (d) A registered agent may resign at any time by
2 submitting written notice thereof to the credit union at its
3 principal place of business. The notice shall set forth the
4 following:

5 (i) the name of the credit union for which the
6 registered agent is acting,

7 (ii) the address of the principal place of business of
8 the credit union,

9 (iii) the name of the registered agent,

10 (iv) that the registered agent is resigning, and

11 (v) the effective date of the resignation, which shall
12 not be less than 30 days after the date of filing of the
13 notice.

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

18 (9) As used in this Section, "electronic", "electronic
19 record", and "security procedure" have the meanings ascribed
20 to those terms in the Uniform Electronic Transactions Act.

21 (Source: P.A. 102-38, eff. 6-25-21; 102-687, eff. 12-17-21;
22 102-774, eff. 5-13-22; 102-858, eff. 5-13-22; 103-154, eff.
23 6-30-23; 103-289, eff. 7-28-23.)

24 (205 ILCS 305/26) (from Ch. 17, par. 4427)

25 Sec. 26. Executive officers.

1 (1) At their first meeting, the board of directors shall
2 elect from among their own number executive officers
3 consisting of a chairman of the board and one or more vice
4 chairmen, a secretary, and a treasurer. The directors shall
5 appoint a chief management official who shall have such title
6 as the directors shall determine. The directors and the chief
7 management official may also appoint one or more vice
8 presidents and other officers. The chief management official,
9 ~~and~~ vice presidents, and other officers ~~president~~ may, but
10 need not, be directors. Any two or more offices may be held by
11 the same person, except the chairman of the board may not also
12 hold the office of vice chairman or secretary.

13 (2) The executive officers shall serve for a term of one
14 year, or until their successors are chosen and have been duly
15 qualified.

16 (3) The duties of the executive officers shall be
17 prescribed in the bylaws. Compensation of the executive
18 officers shall be such as may be established by the directors
19 from time to time.

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

21 (205 ILCS 305/29) (from Ch. 17, par. 4430)

22 Sec. 29. Meetings of directors.

23 (1) The board of directors and the executive committee
24 shall meet as often as necessary, but one body must meet at
25 least monthly and the other at least quarterly, as prescribed

1 in the bylaws. Unless a greater number is required by the
2 bylaws, a majority of the whole board of directors shall
3 constitute a quorum. The act of a majority of the directors
4 present at a meeting at which a quorum is present shall be the
5 act of the board of directors unless the act of a greater
6 number is required by this Act, the credit union's articles of
7 incorporation or the bylaws.

8 (1.5) Notwithstanding anything to the contrary in
9 subsection (1), the board of directors of a credit union with a
10 composite rating of either 1 or 2 under the Uniform Financial
11 Institutions Rating System known as the CAMELS supervisory
12 rating system (or an equivalent rating under a comparable
13 rating system) and a management rating under such composite
14 rating of either 1 or 2 may meet not less than 6 times
15 annually, with at least one meeting held during each fiscal
16 quarter. This meeting frequency schedule shall be available to
17 an eligible credit union irrespective of whether it has
18 appointed an executive committee pursuant to Section 28.

19 (1.7) Notwithstanding subsection (1) or (1.5), the board
20 of directors of a credit union with \$50,000,000 or more in
21 assets, a composite rating of either 1 or 2 under the Uniform
22 Financial Institutions Rating System known as the CAMELS
23 supervisory rating system (or an equivalent rating under a
24 comparable rating system), and a management rating under the
25 composite rating of either 1 or 2 may meet no fewer than 4
26 times annually, with at least one meeting held during each

1 fiscal quarter. The board of directors of a credit union with
2 less than \$50,000,000 in assets, but with the composite and
3 management ratings referenced in this subsection, may meet no
4 fewer than 4 times annually, with at least one meeting held
5 during each fiscal quarter, upon prior written approval of the
6 Secretary. The meeting frequency schedule set forth in this
7 subsection shall be available to an eligible credit union,
8 irrespective of whether it has appointed an executive
9 committee pursuant to Section 28.

10 (2) Unless specifically prohibited by the articles of
11 incorporation or bylaws, directors and committee members may
12 participate in and act at any meeting of the board or committee
13 through the use of a conference telephone or other
14 communications equipment by means of which all persons
15 participating in the meeting can communicate with each other.
16 Participation in the meeting shall constitute attendance and
17 presence in person at the meeting of the person or persons so
18 participating.

19 (3) Unless specifically prohibited by the articles of
20 incorporation or bylaws, any action required by this Act to be
21 taken at a meeting of the board of directors or a committee and
22 any other action that may be taken at a meeting of the board of
23 directors or a committee may be taken without a meeting if a
24 consent in writing setting forth the action taken is signed by
25 all the directors entitled to vote with respect to the subject
26 matter thereof, or by all members of the committee, as the case

1 may be. The consent shall be evidenced by one or more written
2 approvals, each of which sets forth the action taken and bears
3 the signatures of one or more directors or committee members.
4 All the approvals evidencing the consent shall be delivered to
5 the secretary to be filed in the corporate records of the
6 credit union. The action taken shall be effective when all the
7 directors or committee members have approved the consent
8 unless the consent specifies a different effective date. A
9 consent signed by all the directors or all the members of a
10 committee shall have the same effect as a unanimous vote, and
11 may be stated as such in any document filed with the director
12 under this Act.

13 (3.5)(a) The secretary, as an executive officer of the
14 credit union elected by the board of directors pursuant to
15 subsection (1) of Section 26, or a recording secretary duly
16 appointed by the board of directors to act on behalf of the
17 secretary, shall prepare and maintain minutes of all meetings
18 of the members and the board of directors. The secretary or
19 recording secretary shall sign the minutes for the limited
20 purpose of authenticating them as an accurate description of
21 the information presented and action taken at the subject
22 meeting. The signature shall not constitute approval of the
23 minutes.

24 (b) The chairman may, but is not required to, sign the
25 minutes of any such meeting of the membership or board of
26 directors. In the event the chairman signs the minutes, that

1 signature shall not constitute approval of the minutes.

2 (c) Pursuant to subsection (1) of Section 27, the board of
3 directors is charged with and has control over the general
4 management of the operations, funds, and records of the credit
5 union, and the minutes, as compliance review documents of the
6 credit union under paragraph (a) of subsection (4) of this
7 Section 29, shall only be deemed final and binding upon the
8 approval by a majority vote of the directors present at a
9 meeting at which a quorum is present, or by unanimous action
10 without a meeting.

11 (d) Minutes of membership meetings require approval by a
12 majority of the membership present at a meeting at which a
13 quorum is present.

14 (4) (a) As used in this subsection:

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

18 "Compliance review documents" means reports, meeting
19 minutes, and other documents prepared in connection with a
20 review or evaluation conducted by or for the board of
21 directors.

22 (b) This subsection applies to the board of directors in
23 relation to its functions to evaluate and seek to improve any
24 of the following:

25 (i) loan policies or underwriting standards;

26 (ii) asset quality;

1 (iii) financial reporting to federal or State
2 governmental or regulatory agencies; or

3 (iv) compliance with federal or State statutory or
4 regulatory requirements, including, without limitation,
5 the manner in which it performs its duties under Section
6 30.

7 (c) Meetings, minutes of meetings, and reports of the
8 board of directors shall be subject to the confidentiality and
9 redaction standards set forth in this subsection.

10 (d) Except as provided in paragraph (e), compliance review
11 documents and the deliberations of the board of directors are
12 confidential. An affiliate of a credit union, a credit union
13 regulatory agency, and the insurer of credit union share
14 accounts shall have access to compliance review documents;
15 however, (i) the documents remain confidential and (ii)
16 delivery of compliance review documents to an affiliate or
17 pursuant to the requirements of a credit union regulatory
18 agency or an insurer of credit union share accounts do not
19 constitute a waiver of the confidentiality granted in this
20 Section.

21 (e) This Section does not apply to any civil or
22 administrative action initiated by a credit union regulatory
23 agency or an insurer of credit union share accounts.

24 (f) This Section shall not be construed to limit the
25 discovery or admissibility in any civil action of any
26 documents, including compliance review documents.

1 (g) Any report required under this Act to be furnished to
2 the board of directors by the membership committee, credit
3 committee, or any other committee may be submitted in a
4 summary format that redacts personally identifiable
5 information as defined under applicable State and federal law.

6 (h) Compliance review documents may be disclosed by the
7 Secretary or a credit union to any person or entity to whom
8 confidential supervisory information may be disclosed pursuant
9 to subsection (3) of Section 9.1.

10 (Source: P.A. 103-289, eff. 7-28-23; 104-403, eff. 1-1-26.)

11 (205 ILCS 305/30) (from Ch. 17, par. 4431)

12 Sec. 30. Duties of directors.

13 (a) It shall be the duty of the directors to:

14 (1) Review actions on applications for membership. A
15 record of the membership committee's approval or denial of
16 membership or management's approval or denial of
17 membership if no membership committee has been appointed
18 shall be available to the board of directors for
19 inspection. A person denied membership by the membership
20 committee or credit union management may appeal the denial
21 to the board;

22 (2) Provide adequate fidelity bond coverage for
23 officers, employees, directors and committee members, and
24 for losses caused by persons outside of the credit union,
25 subject to rules and regulations promulgated by the

1 Secretary;

2 (3) Determine from time to time the interest rates,
3 not in excess of that allowed under this Act, which shall
4 be charged on loans to members and to authorize interest
5 refunds, if any, to members from income earned and
6 received in proportion to the interest paid by them on
7 such classes of loans and under such conditions as the
8 board prescribes. The directors may establish different
9 interest rates to be charged on different classes of
10 loans;

11 (4) Within any limitations set forth in the credit
12 union's bylaws, fix the maximum amount which may be loaned
13 with and without security to a member;

14 (5) Declare dividends on various classes of shares in
15 the manner and form as provided in the bylaws;

16 (6) Limit the number of shares which may be owned by a
17 member; such limitations to apply alike to all members;

18 (7) Have charge of the investment of funds, except
19 that the board of directors may designate an investment
20 committee or any qualified individual or entity to have
21 charge of making investments under policies established by
22 the board of directors;

23 (8) Authorize the employment of or contracting with
24 such persons or organizations as may be necessary to carry
25 on the operations of the credit union, provided that prior
26 approval is received from the Department before delegating

1 substantially all managerial duties and responsibilities
2 to a credit union organization, and fix the compensation,
3 if any, of the officers and provide for compensation for
4 other employees within policies established by the board
5 of directors;

6 (9) Authorize the conveyance of property;

7 (10) Borrow or lend money consistent with the
8 provisions of this Act;

9 (11) Designate a depository or depositories for the
10 funds of the credit union and supervise the investment of
11 funds;

12 (12) Suspend or remove, or both, any or all officers
13 or any or all members of the membership, credit, or other
14 committees whenever, in the judgment of the board of
15 directors, the best interests of the credit union will be
16 served thereby; provided that members of the supervisory
17 committee may not be suspended or removed except for
18 failure to perform their duties; and provided that removal
19 of any officer shall be without prejudice to the contract
20 rights, if any, of the person so removed;

21 (13) Appoint any special committees deemed necessary;
22 and

23 (14) Perform such other duties as the members may
24 direct, and perform or authorize any action not
25 inconsistent with this Act and not specifically reserved
26 by the bylaws to the members.

1 (b) The board of directors may delegate to the chief
2 management official, according to guidelines established by
3 the board that may include the authority to further delegate
4 one or more duties, all of the following duties:

5 (1) determining the interest rates on loans;

6 (2) determining the dividend rates on share accounts;

7 and

8 (3) hiring employees other than the chief management
9 official, including, without limitation, vice presidents
10 and other officers, and fixing their title, grade, and
11 compensation.

12 (c) Each director shall have a working familiarity with
13 basic finance and accounting practices consistent with the
14 size and complexity of the credit union operation they serve,
15 including the ability to read and understand the credit
16 union's balance sheet and income and expense statements and
17 the ability to ask, when appropriate, substantive questions of
18 management and auditors. For the purposes of this subsection
19 (c), substantive questions include queries concerning
20 financial services and products offered to the membership; how
21 those activities generate revenue for the credit union; the
22 credit, liquidity, interest rate, compliance, strategic,
23 transaction, and reputation risks associated with those
24 activities; and the internal control structures maintained by
25 the credit union that limit and manage those risks.

26 A director who was elected or appointed on or after

1 January 1, 2015 and who comes to the position without the
2 requisite financial skills shall have until 6 months after the
3 date of election or appointment to acquire the enumerated
4 skills.

5 An incumbent director who was elected or appointed before
6 January 1, 2015 and does not possess the requisite financial
7 skills shall have until July 1, 2015 to acquire the enumerated
8 skills.

9 An incumbent director or a director who is elected or
10 appointed on or after January 1, 2015 who already understands
11 his or her credit union's financial statements shall not be
12 required to do anything further to satisfy the financial
13 skills requirement set forth in subsection (c).

14 It is the intent of the Department that all credit union
15 directors possess a basic understanding of their credit
16 union's financial condition. It is not the intent of the
17 Department to subject credit union directors to examiner
18 scrutiny of their financial skills. Rather, the Department
19 shall evaluate whether the credit union has in place a policy
20 to make available to their directors appropriate training to
21 enhance their financial knowledge of the credit union.
22 Directors may receive the training through internal credit
23 union training, external training offered by the credit
24 union's retained auditors, trade associations, vendors,
25 regulatory agencies, or any other sources or on-the-job
26 experience, or a combination of those activities. The training

1 may be received through any medium, including, but not limited
2 to, conferences, workshops, audit closing meetings, seminars,
3 teleconferences, webinars, and other internet based delivery
4 channels.

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

6 (205 ILCS 305/57.3 new)

7 Sec. 57.3. Digital asset services.

8 (a) For purposes of this Section, the terms "covered
9 person", "digital asset", "digital asset business activity",
10 and "service provider" have the meanings given to those terms
11 in the Digital Assets and Consumer Protection Act.

12 (b) A credit union may establish relationships with
13 covered persons and service providers in connection with the
14 offering or provision by those covered persons or service
15 providers of a digital asset business activity to enable the
16 members of the credit union to hold, buy, and sell digital
17 assets. The credit union shall have the authority to perform
18 administrative functions related to digital asset business
19 activity to facilitate digital asset transactions between its
20 members and covered persons and service providers.

21 (c) A credit union must exercise appropriate due diligence
22 in selecting a covered person or service provider with whom to
23 do business, and the written agreement between the credit
24 union and covered person or service provider must address:

25 (1) the features of the digital asset program;

1 (2) the responsibilities and duties of the covered
2 person or service provider and credit union under the
3 program;

4 (3) the confidentiality, security, disclosure, and
5 processing of credit union member information;

6 (4) the applicable reporting and termination
7 provisions; and

8 (5) compliance with the requirements of all applicable
9 laws.

10 (d) When marketing or advertising digital assets, digital
11 asset business activities conducted by covered persons or
12 service providers, and related administrative functions to the
13 members of the credit union, the members shall be informed
14 that the digital assets:

15 (1) are not federally insured or insured by any other
16 insurer approved by the Secretary;

17 (2) are not guaranteed by the credit union;

18 (3) are or may be speculative and volatile;

19 (4) may have associated fees;

20 (5) may not allow member recourse; and

21 (6) are or are not being offered by a third party.

22 (205 ILCS 305/57.5 new)

23 Sec. 57.5. Sales of debt cancellation services and
24 products.

25 (a) For purposes of this Section, "debt cancellation

1 services" means a contractual assurance between a credit union
2 as the lender and its member as the borrower on a motor vehicle
3 loan that, in the event collision or comprehensive insurance
4 coverage is insufficient to cover the loan balance on a total
5 loss due to a collision, theft, or other casualty covered by
6 the insurance, the credit union will cancel the debt. Through
7 cancellation of the debt, the recovery of any deficiency or
8 gap between the insurance payout based on the vehicle's actual
9 cash value and the greater amount still owed on the loan is
10 waived. Debt cancellation may also be referred to as debt
11 protection or guaranteed asset protection. In exchange for the
12 benefit provided by the debt cancellation, a credit union may
13 assess a fee to the member.

14 (b) A credit union may offer debt cancellation services to
15 a member in connection with a motor vehicle loan made to the
16 member. The terms and conditions of the debt cancellation
17 services, including the assessment of any fees, shall be set
18 forth in a written agreement between the credit union and the
19 member. The agreement shall be executed prior to, or
20 contemporaneous with, the execution of the loan agreement to
21 which the debt cancellation services relate.

22 (c) Debt cancellation services are loan-related and not
23 insurance under the Illinois Insurance Code.

24 (205 ILCS 305/59) (from Ch. 17, par. 4460)

25 Sec. 59. Investment of funds.

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

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

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

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

1 accounts;

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

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

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

17 (7) In shares, stocks or obligations of other
18 financial institutions in the total amount not exceeding
19 5% of the unimpaired capital and surplus of the credit
20 union;

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

22 (9) In shares or stocks of Credit Union Service
23 Organizations in the total amount not exceeding the
24 greater of 6% of the unimpaired capital and surplus of the
25 credit union or the amount authorized for federal credit
26 unions;

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

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

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

19 (11) To aid in the credit union's management of its
20 assets, liabilities, and liquidity in the purchase of an
21 investment interest in a pool of loans, in whole or in part
22 and without regard to the membership of the borrowers,
23 from other depository institutions and financial type
24 institutions, including mortgage banks, finance companies,
25 insurance companies, and other loan sellers, subject to
26 such safety and soundness standards, limitations, and

1 qualifications as the Department may establish by rule or
2 guidance from time to time;

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

8 (13) In the purchase and assumption of assets held by
9 other financial institutions, with approval of the
10 Secretary and subject to any safety and soundness
11 standards, limitations, and qualifications as the
12 Department may establish by rule or guidance from time to
13 time;

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

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

26 (i) the credit union would remain well capitalized

1 as defined by 12 CFR 702.102 if the credit union
2 reduced its net worth by the full investment amount at
3 the time the investment is made or at any point during
4 the time the investment is held by the credit union;

5 (ii) the credit union and the financial technology
6 company are operated in a manner that demonstrates to
7 the public the separate corporate existence of the
8 credit union and financial technology company; and

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

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

1 financial statements reflecting a sound fiscal history.

2 (C) Before investing in a financial technology
3 company, the credit union shall obtain a written legal
4 opinion as to whether the financial technology company is
5 established in a manner that will limit potential exposure
6 of the credit union to no more than the loss of funds
7 invested in the financial technology company and the legal
8 opinion shall:

9 (i) address factors that have led courts to
10 "pierce the corporate veil", such as inadequate
11 capitalization, lack of separate corporate identity,
12 common boards of directors and employees, control of
13 one entity over another, and lack of separate books
14 and records; and

15 (ii) be provided by independent legal counsel of
16 the credit union.

17 (D) Before investing in the financial technology
18 company, the credit union shall enter into a written
19 investment agreement with the financial technology company
20 and the agreement shall contain the following clauses:

21 (i) the financial technology company will: (I)
22 provide the Department with access to the books and
23 records of the financial technology company relating
24 to the investment made by the credit union, with the
25 costs of examining those records borne by the credit
26 union in accordance with the per diem rate established

1 by the Department by rule; (II) follow generally
2 accepted accounting principles; and (III) provide the
3 credit union with its financial statements on at least
4 a quarterly basis and certified public accountant
5 audited financial statements on an annual basis; and

6 (ii) the financial technology company and credit
7 union agree to terminate their contractual
8 relationship: (I) upon 90 days' written notice to the
9 parties by the Secretary that the safety and soundness
10 of the credit union is threatened pursuant to the
11 Department's cease and desist and suspension authority
12 in Sections 8 and 61; (II) upon 30 days' written notice
13 to the parties if the credit union's net worth ratio
14 falls below the level that classifies it as well
15 capitalized as defined by 12 CFR 702.102; and (III)
16 immediately upon the parties' receipt of written
17 notice from the Secretary when the Secretary
18 reasonably concludes, based upon specific facts set
19 forth in the notice to the parties, that the credit
20 union will suffer immediate, substantial, and
21 irreparable injury or loss if it remains a party to the
22 investment agreement.

23 (E) The termination of the investment agreement
24 between the financial technology company and credit union
25 shall in no way operate to relieve the financial
26 technology company from repaying the investment or other

1 obligation due and owing the credit union at the time of
2 termination.

3 (F) Any financial technology company in which a credit
4 union invests pursuant to this paragraph (15) that
5 directly or indirectly originates, purchases, facilitates,
6 brokers, or services loans to consumers in Illinois shall
7 not charge an interest rate that exceeds the applicable
8 maximum rate established by the Board of the National
9 Credit Union Administration pursuant to 12 CFR
10 701.21(c)(7)(iii)-(iv). The maximum interest rate
11 described in this subparagraph that may be charged by a
12 financial technology company applies to all consumer loans
13 and consumer credit products; ~~and~~

14 (16) In derivatives transactions, to aid in the credit
15 union's management of interest rate risk. Before entering
16 into a derivatives transaction, and at all times during
17 its management of a derivatives transactions program, a
18 credit union shall satisfy and comply with all the
19 requirements set forth in 12 CFR 703.101 et seq. All
20 definitional terms and operational standards shall have
21 the meanings given to them in 12 CFR 703.101 et seq.,
22 except references to federal credit unions shall be
23 construed to mean Illinois-chartered credit unions, and
24 references to the National Credit Union Administration and
25 Regional Director shall be respectfully construed to mean
26 the Department and the Secretary. A credit union with

1 assets of at least \$500 million and a CAMELS management
2 component rating of 1 or 2 need not obtain prior approval
3 from the Department before engaging in derivative
4 transactions but shall notify the Secretary in writing or
5 by electronic mail within 5 business days after entering
6 into its first derivatives transaction; and -

7 (17) In commercial mortgage related securities and
8 collateralized mortgage obligations to aid in the credit
9 union's management of its assets, liabilities, and
10 liquidity. Before entering into a transaction to purchase
11 a commercial mortgage related security or investing in a
12 collateralized mortgage obligation and at all times during
13 its management of the purchase or investment, a credit
14 union shall satisfy and comply with the requirements set
15 forth in 12 CFR 703.6 and 703.14 and applicable rules
16 adopted by the Secretary. For the purposes of this
17 paragraph, all definitional terms and operational
18 standards shall have the meanings given to them in 12 CFR
19 703.6 and 703.14, except references to federal credit
20 unions shall be construed to mean Illinois-chartered
21 credit unions.

22 (b) As used in this Section:

23 "Political subdivision" includes, but is not limited to,
24 counties, townships, cities, villages, incorporated towns,
25 school districts, educational service regions, special road
26 districts, public water supply districts, fire protection

1 districts, drainage districts, levee districts, sewer
2 districts, housing authorities, park districts, and any
3 agency, corporation, or instrumentality of a state or its
4 political subdivisions, whether now or hereafter created and
5 whether herein specifically mentioned or not.

6 "Financial institution" includes any bank, savings bank,
7 savings and loan association, or credit union established
8 under the laws of the United States, this State, or any other
9 state.

10 "Financial technology company" includes any corporation,
11 partnership, limited liability company, or other entity
12 organized under the laws of Illinois, another state, or the
13 United States of America:

14 (1) that the principal business of which is the
15 provision of financial products or financial services, or
16 both, that:

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

19 (ii) are of current or prospective benefit to the
20 members of credit unions; or

21 (iii) are of current or prospective benefit to
22 consumers eligible for membership in credit unions;
23 and

24 (2) that applies technological interventions,
25 including, without limitation, specialized software or
26 algorithm processes, products, or solutions, to improve

1 and automate the delivery and use of those financial
2 products or financial services.

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

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

16 (Source: P.A. 102-496, eff. 8-20-21; 102-774, eff. 5-13-22;
17 102-858, eff. 5-13-22; 103-154, eff. 6-30-23; 103-1034, eff.
18 8-9-24.)

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