



## 97TH GENERAL ASSEMBLY

### State of Illinois

2011 and 2012

SB3217

Introduced 2/1/2012, by Sen. David Koehler

#### SYNOPSIS AS INTRODUCED:

205 ILCS 305/1.1	from Ch. 17, par. 4402
205 ILCS 305/15	from Ch. 17, par. 4416
205 ILCS 305/20	from Ch. 17, par. 4421
205 ILCS 305/64.5 new	

Amends the Illinois Credit Union Act. Changes the definition of "common bond" to include relatives by civil union. Provides that if a member fails to maintain one fully paid share, the credit union may permit the member to re-subscribe within 30 days after the member failed to maintain one fully paid share. Provides that, if the board of directors of a credit union has adopted a policy addressing age eligibility standards, then the credit union may require that members be at least 18 years of age by the date of the meeting in order to vote at meetings, sign nominating petitions, or sign petitions requesting special meetings and at least 18 years of age by the date of the election or appointment in order to hold elective or appointive office. Provides that a resulting credit union shall be considered the same business and corporate entity as each merging or consolidating credit union or as the converting credit union. Defines "resulting credit union". Effective immediately.

LRB097 18462 PJG 63692 b

1 AN ACT concerning regulation.

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

4 Section 5. The Illinois Credit Union Act is amended by  
5 changing Sections 1.1, 15, and 20 and adding Section 64.5 as  
6 follows:

7 (205 ILCS 305/1.1) (from Ch. 17, par. 4402)

8 Sec. 1.1. Definitions.

9 Credit Union - The term "credit union" means a cooperative,  
10 non-profit association, incorporated under this Act, under the  
11 laws of the United States of America or under the laws of  
12 another state, for the purposes of encouraging thrift among its  
13 members, creating a source of credit at a reasonable rate of  
14 interest, and providing an opportunity for its members to use  
15 and control their own money in order to improve their economic  
16 and social conditions. The membership of a credit union shall  
17 consist of a group or groups each having a common bond as set  
18 forth in this Act.

19 Common Bond - The term "common bond" refers to groups of  
20 people who meet one of the following qualifications:

21 (1) Persons belonging to a specific association, group  
22 or organization, such as a church, labor union, club or  
23 society and members of their household and immediate

1 families which shall include any relative by blood, ~~or~~  
2 marriage, or civil union or foster and adopted children.

3 (2) Persons who reside in a reasonably compact and well  
4 defined neighborhood or community, and members of their  
5 household and immediate families which shall include any  
6 relative by blood, ~~or~~ marriage, or civil union or foster  
7 and adopted children.

8 (3) Persons who have a common employer or who are  
9 members of an organized labor union or an organized  
10 occupational or professional group within a defined  
11 geographical area, and members of their household and  
12 immediate families which shall include any relative by  
13 blood, ~~or~~ marriage, or civil union or foster and adopted  
14 children.

15 Shares - The term "shares" or "share accounts" means any  
16 form of shares issued by a credit union and established by a  
17 member in accordance with standards specified by a credit  
18 union, including but not limited to common shares, share draft  
19 accounts, classes of shares, share certificates, special  
20 purpose share accounts, shares issued in trust, custodial  
21 accounts, and individual retirement accounts or other plans  
22 established pursuant to Section 401(d) or (f) or Section 408(a)  
23 of the Internal Revenue Code, as now or hereafter amended, or  
24 similar provisions of any tax laws of the United States that  
25 may hereafter exist.

26 Credit Union Organization - The term "credit union

1 organization" means any organization established to serve the  
2 needs of credit unions, the business of which relates to the  
3 daily operations of credit unions.

4 Department - The term "Department" means the Illinois  
5 Department of Financial and Professional Regulation.

6 Secretary - The term "Secretary" means the Secretary of  
7 Financial and Professional Regulation or a person authorized by  
8 the Secretary or this Act to act in the Secretary's stead.

9 Division of Financial Institutions - The term "Division of  
10 Financial Institutions" means the Division of Financial  
11 Institutions of the Department of Financial and Professional  
12 Regulation.

13 Director - The term "Director of Financial Institutions"  
14 means the Director of the Division of Financial Institutions of  
15 the Department of Financial and Professional Regulation.

16 Office - The term "office" means the Division of Financial  
17 Institutions of the Department of Financial and Professional  
18 Regulation.

19 NCUA - The term "NCUA" means the National Credit Union  
20 Administration, an agency of the United States Government  
21 charged with the supervision of credit unions chartered under  
22 the laws of the United States of America.

23 Central Credit Union - The term "central credit union"  
24 means a credit union incorporated primarily to receive shares  
25 from and make loans to credit unions and directors, officers,  
26 committee members and employees of credit unions. A central

1 credit union may also accept as members persons who were  
2 members of credit unions which were liquidated and persons from  
3 occupational groups not otherwise served by another credit  
4 union.

5 Corporate Credit Union - The term "corporate credit union"  
6 means a credit union which is a cooperative, non-profit  
7 association, the membership of which is limited primarily to  
8 other credit unions.

9 Insolvent - "Insolvent" means the condition that results  
10 when the total of all liabilities and shares exceeds net assets  
11 of the credit union.

12 Danger of insolvency - For purposes of Section 61, a credit  
13 union is in "danger of insolvency" if its net worth to asset  
14 ratio falls below 2%. In calculating the danger of insolvency  
15 ratio, secondary capital shall be excluded. For purposes of  
16 Section 61, a credit union is also in "danger of insolvency" if  
17 the Department is unable to ascertain, upon examination, the  
18 true financial condition of the credit union.

19 Net Worth - "Net worth" means the retained earnings balance  
20 of the credit union, as determined under generally accepted  
21 accounting principles, and forms of secondary capital approved  
22 by the Secretary and the Director pursuant to rulemaking.

23 Household - The term "household" means persons living in  
24 the same residence maintaining a single economic unit.

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

1 (205 ILCS 305/15) (from Ch. 17, par. 4416)

2 Sec. 15. Membership defined.

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

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

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

1 member to be heard.

2 (4) A member who has caused a loss to the credit union,  
3 failed to maintain one or more shares at the credit union, or  
4 violated board policy applicable to members may be expelled by  
5 a majority vote of a quorum of directors if the board has  
6 adopted a policy providing for expulsion under those  
7 circumstances. In maintaining and enforcing a policy based on  
8 loss, the board may consider, without limitation, a member's  
9 failure to pay amounts due under a loan, failure to provide  
10 collected funds to cover withdrawals or personal share drafts  
11 or credit union drafts where the member is a remitter, or  
12 failure to pay fees or charges due the credit union. If a  
13 policy is adopted by the board pursuant to this subsection (4),  
14 written notice of the policy and the effective date of the  
15 policy shall be mailed to each member of the credit union at  
16 the member's current address appearing on the records of the  
17 credit union. The policy shall be mailed to members not fewer  
18 than 30 days prior to the effective date of the policy. In  
19 addition, new members shall be provided written notice of the  
20 policy prior to or upon applying for membership.

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

1 shares, but a notice of withdrawal does not entitle the member  
2 to any preferred or prior claim in the event of liquidation.  
3 Withdrawing or expelled members have no further rights in the  
4 credit union, but are not, by withdrawal or expulsion, released  
5 from any obligation they owe to the credit union.

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

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

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

23 (205 ILCS 305/20) (from Ch. 17, par. 4421)

24 Sec. 20. Election or appointment of officials.

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



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

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

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

18 (1.10) Upon amendment of a credit union's bylaws approved  
19 by the members, in all elections for directors, every member  
20 who is a natural person shall have the right to cast one vote,  
21 regardless of the number of his or her shares, in person or by  
22 proxy, for as many persons as there are directors to be  
23 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, members of the  
14 credit committee, or the credit manager if no credit committee  
15 has been appointed.

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

22 (4) The board of directors may appoint from among the  
23 members of the credit union a membership committee of one or  
24 more persons. If appointed, the committee shall act upon all  
25 applications for membership and submit a report of its actions  
26 to the board of directors at the next regular meeting for

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

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

6 (205 ILCS 305/64.5 new)

7 Sec. 64.5. Continuation of corporate entity.

8 (a) For purposes of this Section, a "resulting credit  
9 union" means an Illinois-chartered credit union that is the  
10 surviving credit union in a merger of 2 or more credit unions,  
11 a new credit union resulting from a consolidation of 2 or more  
12 credit unions, or a credit union that has effected a conversion  
13 from a credit union chartered under the laws of any other state  
14 or under the laws of the United States.

15 (b) A resulting credit union shall be considered the same  
16 business and corporate entity as each merging or consolidating  
17 credit union or as the converting credit union, with all the  
18 property, rights, powers, duties, and obligations of each  
19 merging or consolidating credit union or of the converting  
20 credit union, except as affected by the charter and bylaws of  
21 the resulting credit union. A resulting credit union shall be  
22 liable for all liabilities of the merging or consolidating  
23 credit union or converting credit union. All the rights,  
24 franchises, and interests of the merging or consolidating  
25 credit union or converting credit union in and to every species

1 of property, real, personal, and mixed, and choses in action  
2 thereunto belonging, shall be deemed to be automatically  
3 transferred to and vested in the resulting credit union as a  
4 successor-in-interest without any deed or other transfer, and  
5 the resulting credit union, without any order or other action  
6 on the part of any court or otherwise, shall hold and enjoy the  
7 same and all rights of property, franchises, and interests,  
8 including appointments, designations, and nominations, and all  
9 other rights and interests as trustee, executor,  
10 administrator, registrar or transfer agent of stocks and bonds,  
11 guardian, assignee, receiver, and in every other fiduciary  
12 capacity, in the same manner and to the same extent as was held  
13 and enjoyed by the merging or consolidating credit union or the  
14 converting credit union. Any reference to a merging,  
15 consolidating, or converting credit union in any writing,  
16 whether executed or taking effect before or after the merger,  
17 consolidation, or conversion, shall be deemed a reference to  
18 the resulting credit union if not inconsistent with the other  
19 provisions of the writing.

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