



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB3560

Introduced 2/18/2025, by Rep. Kevin John Olickal

SYNOPSIS AS INTRODUCED:

New Act

Creates the Public Banking Option Act. Establishes the Illinois Bank Account Board under the Department of Financial and Professional Regulation for the purpose of protecting consumers who lack access to traditional banking services from predatory, discriminatory, and costly alternatives. Sets forth provisions concerning the actions required by the Board to create the Illinois Bank Account Program, including establishing a process by which an individual may open an Illinois Bank Account, which shall be designed to maximize Program participation; the mechanisms by which an account holder may deposit funds into an Illinois Bank Account for no fee; a process through which an account holder may elect to have a portion, up to the entirety, of the account holder's paycheck or earnings due for labor or services performed directly deposited by electronic fund transfer into the account holder's Illinois Bank Account; a process through which employers and hiring entities shall be required to remit through a payroll direct deposit arrangement each worker's elected payroll contribution to the worker's Illinois Bank Account in accordance with the worker's election; and mechanisms by which an account holder can withdraw funds from an Illinois Bank Account using an Illinois Bank Account debit card for no fee; a process, available to all account holders for no fee, through which an account holder may arrange for payment to a registered payee using a preauthorized electronic fund transfer from an Illinois Bank Account; a process and terms and conditions for becoming a registered payee; voluntary automatic disbursement rules to assist an account holder in managing automated payments to registered payees based on the availability of funds in the account holder's account; and other specified actions. Establishes duties concerning the Program for employers with more than 25 employees, hiring entities with more than 25 independent contractors performing the same or similar labor or service, and landlords or a landlord's agent. Grants the Department rulemaking authority to implement the provisions of the Act. Effective immediately.

LRB104 10432 BAB 20507 b

A BILL FOR

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 1. Short title. This Act may be cited as the Public
5 Banking Option Act.

6 Section 2. Findings. The General Assembly finds that:

7 (1) Due to high unemployment rates, homelessness
8 rising, and an unprecedented wave of evictions looming as
9 a result of the COVID-19 pandemic, the financial stability
10 of the State's most vulnerable residents has become a
11 matter of particularly urgent concern, not only to those
12 individuals, themselves, but to the economic health of the
13 State as a whole.

14 (2) Access to basic financial services, including
15 demand deposit (checking) and savings accounts, is a
16 critical component of financial stability. 1/5 of Illinois
17 households are unbanked or underbanked. Underbanked
18 households are defined as those that have a bank account
19 but have used alternative financial services (AFS) for
20 transactions, including check cashing and money orders,
21 and for credit, including payday loans. Among underbanked
22 households, AFS transaction use is 3 times more prevalent
23 than the use of AFS for credit. Around 17% of United States

1 households use AFS transactions. These transaction
2 services can be a significant expense for low-income
3 Illinoisans. For example, check cashers charge as much as
4 10% of the cost of the check being cashed. In 2018, AFS
5 costs for unbanked and underbanked Americans totaled
6 \$189,000,000,000 in fees and interest, which means the
7 average annual cost per person for using AFS was \$3,000.

8 (3) Predatory banking practices, including expensive
9 overdraft fees, create a vicious cycle leading to the
10 lasting exclusion of Illinois residents from traditional
11 and affordable financial services and disproportionately
12 harm low-income people and people of color. Banking
13 options that target the poor generate significant revenue
14 through these exploitative practices. In 2019, 84% of
15 those fees were paid by 9% of account holders, and those
16 customers typically carried low balances averaging less
17 than \$350.

18 (4) Unbanked households pay proportionally more for
19 their financial services, lack secure means of saving,
20 have fewer opportunities to build credit, and are rejected
21 for loans at far higher rates. Basic financial
22 transactions, including the payment of rent, utilities,
23 and other recurring bills or charitable contributions, are
24 a particularly formidable challenge for households lacking
25 access to important tools, including automated bill pay,
26 or whose monthly income fluctuates too much to make

1 automated processes viable. Because they have fewer
2 options when their money runs short, unbanked households
3 face a far more destructive cycle of punitive action when
4 they default on their recurring bills, which leads to
5 compounding interest and further debt. For all these
6 reasons, exclusion from traditional financial services
7 significantly increases the risk of poverty and
8 homelessness and places an unnecessary burden on the
9 entire economy.

10 (5) Limited access to affordable financial services is
11 a problem that disproportionately impacts low-income
12 communities and communities of color. The racial disparity
13 in banking access in Illinois is stark. The most recent
14 5-year estimate from 2017 through 2021 shows 2.4% of white
15 households were unbanked, whereas 20.4% of black
16 households were unbanked. Hispanic households face similar
17 disparities, with 10.9% of Hispanic households unbanked.
18 Despite improvements as Illinoisians recover from the
19 pandemic, the racial gap remains pronounced, with black
20 households having a significantly higher unbanked rate
21 than their white counterparts. In Chicago, where the
22 disparities are amplified, the number of unbanked white
23 households held evenly with the rate across the State at
24 2.5% while black households maintained a persistently high
25 23.7% unbanked rate.

26 (6) Providing Illinois residents with a zero-fee,

1 zero-penalty, zero-minimum-balance requirement public
2 option for basic financial services would empower
3 Illinoisans by providing a stable, affordable financial
4 platform for all Illinois residents, especially the
5 unbanked and underbanked who currently rely on expensive
6 AFS transactions. The Illinois Bank Account Program would
7 mitigate the demand for exploitative alternatives to
8 banking services with respect to which upselling and
9 cross-selling into expensive accounts and products is the
10 norm. A market analysis of the proposed Illinois Bank
11 Account Program and any modifications that may be
12 necessary for its successful and cost-effective
13 implementation will enhance the State's ability to serve
14 the financial services needs of unbanked and underbanked
15 Illinois residents.

16 Section 5. Definitions. As used in this Act:

17 "Board" means the Illinois Bank Account Board created
18 under this Act.

19 "Department" means the Department of Financial and
20 Professional Regulation.

21 "Electronic fund transfer" means a transfer of funds,
22 other than a transaction originated by check, draft, or
23 similar paper instrument, that is initiated through an
24 electronic device for the purpose of ordering, instructing, or
25 authorizing a financial institution to debit or credit an

1 account.

2 "Financial institution" means any bank subject to the
3 Illinois Banking Act, including a branch of an out-of-state
4 bank as defined in Section 2 of the Illinois Banking Act, any
5 savings bank subject to the Savings Bank Act, and any
6 federally chartered commercial bank, savings bank, or savings
7 and loan association organized and operated in this State
8 under the laws of the United States.

9 "Illinois Bank Account" means a bank account opened
10 through a process established by the Illinois Bank Account
11 Board.

12 "Program" means the Illinois Bank Account Program created
13 under this Act.

14 Section 10. The Illinois Bank Account Board.

15 (a) The Illinois Bank Account Board is established by the
16 Department for the purpose of protecting consumers who lack
17 access to traditional banking services from predatory,
18 discriminatory, and costly alternatives and to administer the
19 Illinois Bank Account Program.

20 (b) The Board shall consist of all the following members:

21 (1) The State Treasurer or the State Treasurer's
22 designee.

23 (2) The Secretary of Financial and Professional
24 Regulation or the Secretary's designee.

25 (3) An individual with banking expertise, particularly

1 expertise in transaction accounts and debit cards,
2 appointed by the President of the Senate.

3 (4) An individual with expertise in economic and
4 racial justice and cultural competence appointed by the
5 Speaker of the House of Representatives.

6 (5) An employee representative appointed by the
7 Governor.

8 (6) An individual with expertise in banking or
9 consumer financial services affiliated with an academic
10 institution appointed by the Governor.

11 (7) An individual with banking expertise appointed by
12 the Governor.

13 (8) A public banking advocate appointed by the Senate
14 President.

15 (9) A consumer representative or advocate with
16 expertise in banking access and financial empowerment,
17 including within historically unbanked and underbanked
18 communities, appointed by the Speaker of the House.

19 (c) In making appointments to the Board, the appointing
20 authorities shall take into consideration the cultural,
21 ethnic, and geographic diversity of the State so that the
22 Board's composition reflects the communities of Illinois.

23 (d) (1) Except as provided in paragraph (2), members of the
24 Board shall serve without compensation.

25 (2) Subject to appropriation, members of the Board
26 shall be reimbursed for necessary travel expenses incurred

1 in connection with their Board duties.

2 (e) (1) Except for the members described in paragraphs (3)
3 and (9) of subsection (a), a Board member, or State
4 Treasurer's staff working with the Board, while serving in
5 that capacity shall not have a direct or indirect investment
6 or ownership interest in or be employed by, a consultant to, a
7 member of the Board of directors of, affiliated with, or
8 otherwise a representative of, a private bank or financial
9 services institution unless that position is an unpaid
10 volunteer position.

11 (2) The restrictions in paragraph (1) do not include
12 ownership of a share of a diversified mutual fund or
13 exchange-traded fund that holds shares of a private bank
14 or financial services institution.

15 (f) To the extent the State, to successfully implement the
16 Illinois Bank Account Program, contracts with entities to
17 provide administrative and financial services, the State has a
18 proprietary interest in ensuring that the entities with which
19 it contracts have not engaged in conduct that would undermine
20 the goals, efficiency, and reputation of the Illinois Bank
21 Account Program, including, but not limited to, by violating
22 banking, consumer protection, fair lending, or fair housing
23 laws.

24 Section 15. The Illinois Bank Account Program. The
25 Illinois Bank Account Program is hereby created to offer

1 Illinoisans access to a voluntary, zero-fee, zero-penalty,
2 federally insured transaction account and related payment
3 services at no cost to account holders, including robust and
4 geographically diverse mechanisms for accessing account funds
5 and account management tools that facilitate the automation of
6 basic financial transactions designed to serve the needs of
7 individuals with low or fluctuating income. To administer the
8 Program, the Board shall establish within 12 months of
9 seating:

10 (1) A process by which an individual may open an
11 Illinois Bank Account, which shall be designed to maximize
12 Program participation.

13 (2) The mechanisms by which an account holder may
14 deposit funds into an Illinois Bank Account for no fee,
15 which mechanisms shall include, but not be limited to,
16 electronic fund transfers arranged through an employer's
17 or hiring entity's payroll direct deposit arrangement and
18 cash loading through in-network partners.

19 (3) A process through which an account holder may
20 elect to have a portion, up to the entirety, of the account
21 holder's paycheck or earnings due for labor or services
22 performed directly deposited by electronic fund transfer
23 into the account holder's Illinois Bank Account.

24 (4) A process through which employers and hiring
25 entities shall be required to remit through a payroll
26 direct deposit arrangement each worker's elected payroll

1 contribution to the worker's Illinois Bank Account in
2 accordance with the worker's election.

3 (5) Mechanisms by which an account holder can withdraw
4 funds from an Illinois Bank Account using an Illinois Bank
5 Account debit card for no fee, which mechanisms shall
6 include, but not be limited to, withdrawals through
7 point-of-sale purchases using an Illinois Bank Account
8 debit card and through cash withdrawals at a robust and
9 geographically expansive network of participating ATMs,
10 bank or credit union branches, and other in-network
11 partners of designated financial institution partners.

12 (6) A process, available to all account holders for no
13 fee, through which an account holder may arrange for
14 payment to a registered payee using a preauthorized
15 electronic fund transfer from an Illinois Bank Account.

16 (7) A process and terms and conditions for becoming a
17 registered payee, which shall, at a minimum, require the
18 payee's agreement to specified terms and conditions to be
19 established by the Board in exchange for the benefits of
20 transparency and accountability afforded by participation
21 in an automated payment system and which shall be designed
22 to incentivize account holders' preauthorized electronic
23 fund transfers to registered payees and application of
24 voluntary automatic disbursement rules by limiting the
25 late payment fees and penalties that registered payees can
26 impose on account holders who pay them using preauthorized

1 electronic fund transfers from the account holders'
2 Illinois Bank Accounts.

3 (8) Voluntary automatic disbursement rules to assist
4 an account holder in managing automated payments to
5 registered payees based on the availability of funds in
6 the account holder's account, which an account holder may
7 voluntarily elect to apply or to stop applying to the
8 account holder's Illinois Bank Account at any time, and
9 which shall be designed to maximize consumer protection
10 and may include, but not be limited to, rules governing
11 the prioritization and timing of payments, rules limiting
12 payments to a percentage of funds available in the
13 Illinois Bank Account, and rules limiting disbursement to
14 designated registered payees only upon satisfaction of
15 specified conditions of the Illinois Bank Account.

16 (9) The following enrollment processes: (i)
17 facilitating the opening of an Illinois Bank Account by
18 individuals who may not have federal or State
19 government-issued photo identification while taking all
20 reasonable steps to maintain the confidentiality of
21 personal information consistent with all applicable law;
22 (ii) designing and establishing rules governing the
23 enrollment and participation in the Program of individuals
24 who do not have permanent housing; and (iii) optionally
25 designing and establishing rules governing the enrollment
26 and participation in the Program of individuals who are

1 under 18 years of age, including rules governing the
2 opening of an Illinois Bank Account by a person who is at
3 least 14 years of age without a co-signer or guarantor on
4 the account consistent with all applicable law.

5 (10) Select a Program administrator, which may consist
6 of one or more contractors or Program staff or a
7 combination, whose duties shall include, but not be
8 limited to, all of the following:

9 (A) Providing a secure Internet web-based portal
10 and mobile application through which individuals can
11 enroll in the Program and entities can become
12 registered payees and through which account holders
13 can access and manage the account holders' Illinois
14 Bank Accounts, including direct deposits,
15 preauthorized electronic fund transfers to registered
16 payees, and automatic disbursement rule elections.

17 (B) Providing a method that enables employers and
18 hiring entities to remit each worker participant's
19 elected direct deposit payroll contribution to the
20 worker's Illinois Bank Account in accordance with the
21 worker's election.

22 (C) Facilitating enrollment of account holders in
23 the Program through coordination with government,
24 employers and hiring entities, and nonprofit partners.

25 (D) Facilitating and managing connectivity with
26 other State and local government programs providing

1 individuals with financial accounts to enable Program
2 account holders to transfer funds between their
3 Illinois Bank Accounts and their other State-managed
4 or locally managed accounts, as authorized by the
5 Board and in accordance with all applicable laws and
6 regulations.

7 (E) Facilitating and managing connectivity with
8 other State and local government agencies and entities
9 to enable and streamline remittance of local, State,
10 and federal benefit and public assistance payments and
11 other disbursements to account holders who are
12 entitled to those payments and who authorize those
13 payments to be directly deposited by electronic fund
14 transfer into an Illinois Bank Account, as authorized
15 by the Board and in accordance with all applicable
16 laws and regulations.

17 (11) Contract with a financial services network
18 administrator whose duties may include, but not be limited
19 to, all of the following:

20 (A) Contracting with, managing, and coordinating
21 the financial services vendors for the Program that
22 shall provide account holders access to their Illinois
23 Bank Accounts and services provided in concert with at
24 least one qualifying participating depository
25 financial institution that meets the requirements
26 established by the Board.

1 (B) Adding additional participating depository
2 financial institutions meeting the requirements
3 established by the Board, especially including
4 qualifying credit unions and other local financial
5 institutions, as Program scope and scale permits, in
6 accordance with the Board's specifications as set
7 forth in the contract between the Board and the
8 financial services network administrator.

9 (C) Issuing to each account holder a secure debit
10 card, or other secure means of access to the account
11 holder's Illinois Bank Account, which shall use
12 current security and anti-fraud technology consistent
13 with industry standards.

14 (D) Providing a robust and geographically
15 expansive financial services network of partners
16 through which an account holder can load or withdraw
17 funds from an Illinois Bank Account using an Illinois
18 Bank Account debit card, or other secure means of
19 access to an Illinois Bank Account, for no fee,
20 including ATMs, bank or credit union branches, and
21 other in-network partners; minimize or eliminate
22 out-of-network fees for account holders; and ensure
23 that account holders are not charged out-of-network
24 fees that are not reasonable and actually incurred by
25 the Program vendor.

26 (12) Develop and negotiate a fair and equitable

1 Program fee and Program revenue sharing structure between
2 the State and the financial services network administrator
3 in furtherance of attaining a financially self-sustaining
4 Program, which agreement shall be reevaluated annually and
5 renegotiated as appropriate based on Program scope and
6 scale.

7 Section 20. Duties of employers. An employer with more
8 than 25 employees and a hiring entity with more than 25
9 independent contractors performing the same or similar labor
10 or service, excluding the federal government, shall:

11 (1) Have and maintain a payroll direct deposit
12 arrangement that enables voluntary worker participation in
13 the Program.

14 (2) Deposit all wages and other payments due a worker
15 that the worker has authorized to be directly deposited by
16 electronic fund transfer into the worker's Illinois Bank
17 Account in accordance with the worker's authorization.

18 (3) Coordinate the payroll process with the Program
19 administrator's application Program interface to
20 facilitate accurate and seamless payment by direct deposit
21 in accordance with the authorization of each worker
22 participant.

23 (4) Cooperate with the Program administrator in
24 providing all requested information available to the
25 employer or hiring entity necessary for the opening and

1 administration of a worker's Illinois Bank Account.

2 (5) Upon request of the administrator, provide
3 additional forms or notifications to a worker.

4 (6) Refrain from discharging, disciplining,
5 threatening to discharge or discipline, or in any other
6 manner retaliating or taking an adverse action against a
7 worker or applicant because of the individual's
8 participation or manner of participation in the Program.

9 Section 25. Duties of landlords.

10 (a) A landlord or a landlord's agent must allow a tenant to
11 pay rent and deposits of security by an electronic funds
12 transfer from an Illinois Bank Account.

13 (b) A landlord's, or a landlord's agent's, receipt of
14 payment from an Illinois Bank Account pursuant to the
15 requirements of the Program shall not be considered a waiver
16 of any right the landlord or landlord's agent may otherwise
17 have to establish the base rent on, or to raise rent for, the
18 rental unit.

19 Section 30. Rulemaking. The Department may adopt rules to
20 implement the provisions of this Act.

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