



101ST GENERAL ASSEMBLY

State of Illinois

2019 and 2020

SB3346

Introduced 2/14/2020, by Sen. Antonio Muñoz

SYNOPSIS AS INTRODUCED:

See Index

Amends the Illinois Credit Union Act. Allows the board of directors of a credit union to appoint one or more associate directors to serve in an advisory capacity. Provides that an associate director shall not be deemed or considered to be a director for any purpose under the Act, and that the board of directors shall not delegate to associate directors any of the duties or responsibilities required to be performed by directors duly elected by members of a credit union. Provides that prior to appointing an associate director, the board of directors shall confirm that the person meets all of the requirements to serve as a director. Provides that the board of directors of a credit union or a network credit union shall require each associate director to sign a confidentiality and nondisclosure agreement. Makes changes concerning compensation for directors and committee members. Provides that upon prior written approval by the Secretary of Financial and Professional Regulation, the board of directors and the executive committee of a credit union may hold regular meetings less frequently than once each month but at least once each calendar quarter. Allows a surviving credit union to identify the merging credit union as a division, branch, unit, or other descriptive reference in the case of a merger. Changes the maximum percentage of the unimpaired capital and surplus of a credit union that may be loaned to credit union organizations, and the maximum percentage of the unimpaired capital and surplus of a credit union that may be invested in shares or stocks of a credit union service organization. Makes other changes. Effective immediately.

LRB101 18453 BMS 67901 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 23, 29, 51, 57, 59, and 64.7 and by adding
6 Section 20.5 as follows:

7 (205 ILCS 305/20.5 new)

8 Sec. 20.5. Appointment of associate directors.

9 (a) The board of directors of a credit union may, in its
10 discretion, appoint one or more associate directors to serve in
11 an advisory capacity. The board shall prescribe the duties of
12 an associate director and the manner in which associate
13 directors are appointed and removed. The board shall not
14 delegate to associate directors any of the duties or
15 responsibilities prescribed by this Act or other applicable law
16 to be performed by directors duly elected by their members. An
17 associate director shall not be deemed or considered to be a
18 director for any purpose under this Act.

19 (b) Prior to appointing an associate director, the board
20 shall confirm that the person meets all of the requirements to
21 serve as a director, including, without limitation, a working
22 familiarity with the financial and accounting practices of the
23 credit union as set forth in subsection (c) of Section 30.

1 (c) An associate director may participate in meetings of
2 the board but may not vote or otherwise act as a director. With
3 respect to any issue that comes before the board for
4 deliberation, the board may request that all associate
5 directors excuse themselves from the meeting of the board and
6 the associate directors shall immediately comply with the
7 request.

8 (d) The board shall require each associate director to sign
9 a confidentiality and nondisclosure agreement to ensure that
10 information concerning the credit union remains confidential.

11 (205 ILCS 305/23) (from Ch. 17, par. 4424)

12 Sec. 23. Compensation of officials.

13 (1) Directors and committee members may receive reasonable
14 compensation for their service as such, the amount of which
15 shall be set by the board of directors, in accordance with
16 written policies and procedures established by the board of
17 directors. If the Department determines the payment of director
18 or committee member compensation, or both, creates a safety and
19 soundness issue for a credit union, the Department shall
20 utilize the standards set forth in its Regulatory Examination
21 Consistency and Due Process Rule, 38 Ill. Adm. Code 190.25, and
22 supplemental guidelines to address and resolve the issue. An
23 enforcement action taken pursuant to the Rule and guidelines
24 and specified by this Act shall be used to reduce or suspend
25 the compensation paid to the directors and committee members.

1 ~~The Department shall, by rule, establish maximum rates of~~
2 ~~reasonable compensation that are generally applicable to~~
3 ~~credit unions considering factors the Department may establish~~
4 ~~from time to time, including, but not limited to, total assets,~~
5 ~~nonprofit cooperative structure, and the best interests of~~
6 ~~members.~~ "Compensation" as used in this subsection (1) refers
7 to remuneration expense to the credit union for services
8 provided by a director or committee member in his or her
9 capacity as director or committee member. The remuneration
10 expense is in the form of monetary payments and shall be
11 disclosed on an annual basis to the membership in the financial
12 statement that is part of the annual membership meeting
13 materials. The disclosure shall contain: (i) the amount paid to
14 each director and (ii) the amount paid to the directors as a
15 group. "Compensation" does not include any of the expenses
16 described in subsections (2) and (3).

17 (2) The credit union may incur the expense of providing
18 reasonable life, health, accident, and similar insurance
19 protection benefits for directors and committee members.

20 (3) Directors, committee members and employees, while on
21 official business of the credit union, may be reimbursed for
22 reasonable and necessary expenses. Alternatively, the credit
23 union may make direct payment to a third party for such
24 business expenses. Reasonable and necessary expenses may
25 include the payment of travel costs for the foregoing officials
26 and one guest per official. All payment of costs shall be made

1 in accordance with written policies and procedures established
2 by the board of directors.

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

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

6 (205 ILCS 305/29) (from Ch. 17, par. 4430)

7 Sec. 29. Meetings of directors.

8 (1) The board of directors and the executive committee
9 shall meet as often as necessary, but one body must meet at
10 least monthly and the other at least quarterly, as prescribed
11 in the bylaws. A month in which one body meets does not require
12 the other body to meet, irrespective of the other body's
13 meeting frequency. Upon prior written approval by the
14 Secretary, both bodies may hold regular meetings less
15 frequently than once each month but at least once each calendar
16 quarter. Unless a greater number is required by the bylaws, a
17 majority of the whole board of directors shall constitute a
18 quorum. The act of a majority of the directors present at a
19 meeting at which a quorum is present shall be the act of the
20 board of directors unless the act of a greater number is
21 required by this Act, the credit union's articles of
22 incorporation or the bylaws.

23 (2) Unless specifically prohibited by the articles of
24 incorporation or bylaws, directors and committee members may
25 participate in and act at any meeting of the board or committee

1 through the use of a conference telephone or other
2 communications equipment by means of which all persons
3 participating in the meeting can communicate with each other.
4 Participation in the meeting shall constitute attendance and
5 presence in person at the meeting of the person or persons so
6 participating.

7 (3) Unless specifically prohibited by the articles of
8 incorporation or bylaws, any action required by this Act to be
9 taken at a meeting of the board of directors or a committee and
10 any other action that may be taken at a meeting of the board of
11 directors or a committee may be taken without a meeting if a
12 consent in writing setting forth the action taken is signed by
13 all the directors entitled to vote with respect to the subject
14 matter thereof, or by all members of the committee, as the case
15 may be. The consent shall be evidenced by one or more written
16 approvals, each of which sets forth the action taken and bears
17 the signatures of one or more directors or committee members.
18 All the approvals evidencing the consent shall be delivered to
19 the secretary to be filed in the corporate records of the
20 credit union. The action taken shall be effective when all the
21 directors or committee members have approved the consent unless
22 the consent specifies a different effective date. A consent
23 signed by all the directors or all the members of a committee
24 shall have the same effect as a unanimous vote, and may be
25 stated as such in any document filed with the director under
26 this Act.

1 (Source: P.A. 89-603, eff. 8-2-96.)

2 (205 ILCS 305/51) (from Ch. 17, par. 4452)

3 Sec. 51. Other loan programs.

4 (1) Subject to such rules and regulations as the Secretary
5 may promulgate, a credit union may participate in loans to
6 credit union members jointly with other credit unions,
7 corporations, or financial institutions. An originating credit
8 union may originate loans only to its own members. A
9 participating credit union that is not the originating lender
10 may participate in loans made to its own members or to members
11 of another participating credit union. "Originating lender"
12 means the participating credit union with which the member
13 contracts. A master participation agreement must be properly
14 executed, and the agreement must include provisions for
15 identifying, either through documents incorporated by
16 reference or directly in the agreement, the participation loan
17 or loans prior to their sale.

18 (2) Any credit union with assets of \$500,000 or more may
19 loan to its members under scholarship programs which are
20 subject to a federal or state law providing 100% repayment
21 guarantee.

22 (3) A credit union may purchase the conditional sales
23 contracts, notes and similar instruments which evidence an
24 indebtedness of its members. In the management of its assets,
25 liabilities, and liquidity, a credit union may purchase the

1 conditional sales contracts, notes, and other similar
2 instruments that evidence the consumer indebtedness of the
3 members of another credit union. "Consumer indebtedness" means
4 indebtedness incurred for personal, family, or household
5 purposes.

6 (4) With approval of the board of directors, a credit union
7 may make loans, either on its own or jointly with other credit
8 unions, corporations or financial institutions, to credit
9 union organizations; provided, that the aggregate amount of all
10 such loans outstanding shall not at any time exceed the greater
11 of 6% ~~3%~~ of the paid-in and unimpaired capital and surplus of
12 the credit union or the amount authorized for federal credit
13 unions.

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

15 (205 ILCS 305/57) (from Ch. 17, par. 4458)

16 Sec. 57. Group purchasing and marketing.

17 (a) A credit union may, consistent with rules and
18 regulations promulgated by the Secretary, enter into
19 cooperative marketing arrangements to facilitate its members'
20 voluntary purchase of such goods and services as are in the
21 interest of improving economic and social conditions of the
22 members.

23 (b) A credit union may create and use descriptive and brand
24 references to promote and market its identity, services, and
25 products to its members. In the case of a merger pursuant to

1 Section 63, the surviving credit union may identify the merging
2 credit union as a division, branch, unit, or other descriptive
3 reference that ensures the members understand they are dealing
4 with one credit union rather than multiple credit unions as of
5 the effective date of the merger.

6 (Source: P.A. 100-361, eff. 8-25-17.)

7 (205 ILCS 305/59) (from Ch. 17, par. 4460)

8 Sec. 59. Investment of funds.

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

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

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

1 recognized statistical rating organization;

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

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

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

22 (6) In obligations of the State of Israel, or
23 obligations fully guaranteed by the State of Israel as to
24 payment of principal and interest;

25 (7) In shares, stocks or obligations of other financial
26 institutions in the total amount not exceeding 5% of the

1 unimpaired capital and surplus of the credit union;

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

3 (9) In shares or stocks of Credit Union Service
4 Organizations in the total amount not exceeding the greater
5 of 6% ~~3%~~ of the unimpaired capital and surplus of the
6 credit union or the amount authorized for federal credit
7 unions;

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

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

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

25 (11) To aid in the credit union's management of its
26 assets, liabilities, and liquidity in the purchase of an

1 investment interest in a pool of loans, in whole or in part
2 and without regard to the membership of the borrowers, from
3 other depository institutions and financial type
4 institutions, including mortgage banks, finance companies,
5 insurance companies, and other loan sellers, subject to
6 such safety and soundness standards, limitations, and
7 qualifications as the Department may establish by rule or
8 guidance from time to time;

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

15 (13) In the purchase and assumption of assets held by
16 other financial institutions, with approval of the
17 Secretary and subject to any safety and soundness
18 standards, limitations, and qualifications as the
19 Department may establish by rule or guidance from time to
20 time.

21 (b) As used in this Section:

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

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

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

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

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

21 (Source: P.A. 100-361, eff. 8-25-17; 100-778, eff. 8-10-18;
22 101-567, eff. 8-23-19.)

23 (205 ILCS 305/64.7)

24 Sec. 64.7. Network credit unions.

25 (a) Two or more credit unions merging pursuant to Section

1 63 of this Act may elect to request a network credit union
2 designation for the surviving credit union from the Secretary.
3 The request shall be set forth in the plan of merger and
4 certificate of merger executed by the credit unions and
5 submitted to the Secretary pursuant to subsection (4) of
6 Section 63. The Secretary's approval of a certificate of merger
7 containing a network credit union designation request shall
8 constitute approval of the use of the network designation as a
9 brand or other identifier of the surviving credit union. If the
10 surviving credit union desires to include the network
11 designation in its legal name, make any other change to its
12 legal name, or both, it shall proceed with an amendment to the
13 articles of incorporation and bylaws of the surviving credit
14 union pursuant to Section 4 of this Act.

15 (b) A network credit union is a cooperative business
16 structure comprised of 2 or more merging credit unions with a
17 collective goal of efficiently serving their combined
18 membership and gaining economies of scale through common
19 vision, strategy and initiative. The merging credit unions
20 shall be identified as divisional credit unions, branches, or
21 units of the network credit union or by other descriptive
22 references that ensure the members understand they are dealing
23 with one credit union rather than multiple credit unions.
24 Descriptive and brand references may also be created and used
25 to promote the identity, services, and products of the network
26 credit union to its members.

1 (c) Each divisional credit union may have an advisory board
2 of directors and a chief management official to assist in
3 maintaining and leveraging its respective local identity for
4 the benefit of the surviving credit union. The divisional
5 credit union advisory boards shall be appointed by the network
6 credit union board of directors. Each divisional credit union's
7 advisory board of directors may appoint a divisional credit
8 union chief management official and may also appoint one of its
9 directors to serve on the network credit union's nominating
10 committee. A divisional credit union may determine to identify
11 its advisory board as a committee and its divisional chief
12 management official with a title it deems reasonable and
13 appropriate. The network credit union board of directors shall
14 require each advisory board member to sign a confidentiality
15 and nondisclosure agreement to ensure that information
16 concerning the credit union remains confidential.

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

24 (Source: P.A. 99-614, eff. 7-22-16; 100-361, eff. 8-25-17.)

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

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Statutes amended in order of appearance

- 205 ILCS 305/20.5 new
- 205 ILCS 305/23 from Ch. 17, par. 4424
- 205 ILCS 305/29 from Ch. 17, par. 4430
- 205 ILCS 305/51 from Ch. 17, par. 4452
- 205 ILCS 305/57 from Ch. 17, par. 4458
- 205 ILCS 305/59 from Ch. 17, par. 4460
- 205 ILCS 305/64.7