

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 19, 23, 34, 51, 57, 59, and 64.7 and by
6 adding Section 20.5 as follows:

7 (205 ILCS 305/19) (from Ch. 17, par. 4420)

8 Sec. 19. Meeting of members.

9 (1) (a) The annual meeting shall be held each year during
10 the months of January, February or March or such other month as
11 may be approved by the Department. The meeting shall be held at
12 the time, place and in the manner set forth in the bylaws. Any
13 special meetings of the members of the credit union shall be
14 held at the time, place and in the manner set forth in the
15 bylaws. Unless otherwise set forth in this Act, quorum
16 requirements for meetings of members shall be established by a
17 credit union in its bylaws. Notice of all meetings must be
18 given by the secretary of the credit union at least 7 days
19 before the date of such meeting, either by handing a written or
20 printed notice to each member of the credit union, by mailing
21 the notice to the member at his address as listed on the books
22 and records of the credit union, ~~or~~ by posting a notice of the
23 meeting in three conspicuous places, including the office of

1 the credit union, by posting the notice of the meeting on the
2 credit union's website, or by disclosing the notice of the
3 meeting in membership newsletters or account statements.

4 (b) Unless expressly prohibited by the articles of
5 incorporation or bylaws and subject to applicable requirements
6 of this Act, the board of directors may provide by resolution
7 that members may attend, participate in, act in, and vote at
8 any annual meeting or special meeting through the use of a
9 conference telephone or interactive technology, including, but
10 not limited to, electronic transmission, internet usage, or
11 remote communication, by means of which all persons
12 participating in the meeting can communicate with each other.
13 Participation through the use of a conference telephone or
14 interactive technology shall constitute attendance, presence,
15 and representation in person at the annual meeting or special
16 meeting of the person or persons so participating and count
17 towards the quorum required to conduct business at the
18 meeting. The following conditions shall apply to any virtual
19 meeting of the members:

20 (i) the credit union must internally possess or retain
21 the technological capacity to facilitate virtual meeting
22 attendance, participation, communication, and voting; and

23 (ii) the members must receive notice of the use of a
24 virtual meeting format and appropriate instructions for
25 joining, participating, and voting during the virtual
26 meeting at least 7 days before the virtual meeting.

1 (2) On all questions and at all elections, except election
2 of directors, each member has one vote regardless of the
3 number of his shares. There shall be no voting by proxy except
4 on the election of directors, proposals for merger or
5 voluntary dissolution. Members may vote on questions,
6 including, without limitation, the approval of mergers and
7 voluntary dissolutions under this Act, and in elections by
8 secure electronic record if approved by the board of
9 directors. All voting on the election of directors shall be by
10 ballot, but when there is no contest, written or electronic
11 ballots need not be cast. The record date to be used for the
12 purpose of determining which members are entitled to notice of
13 or to vote at any meeting of members, may be fixed in advance
14 by the directors on a date not more than 90 days nor less than
15 10 days prior to the date of the meeting. If no record date is
16 fixed by the directors, the first day on which notice of the
17 meeting is given, mailed or posted is the record date.

18 (3) Regardless of the number of shares owned by a society,
19 association, club, partnership, other credit union or
20 corporation, having membership in the credit union, it shall
21 be entitled to only one vote and it may be represented and have
22 its vote cast by its designated agent acting on its behalf
23 pursuant to a resolution adopted by the organization's board
24 of directors or similar governing authority; provided that the
25 credit union shall obtain a certified copy of such resolution
26 before such vote may be cast.

1 (4) A member may revoke a proxy by delivery to the credit
2 union of a written statement to that effect, by execution of a
3 subsequently dated proxy, by execution of a secure electronic
4 record, or by attendance at a meeting and voting in person.

5 (5) As used in this Section, "electronic" and "electronic
6 record" have the meanings ascribed to those terms in the
7 Electronic Commerce Security Act. As used in this Section,
8 "secured electronic record" means an electronic record that
9 meets the criteria set forth in Section 10-105 of the
10 Electronic Commerce Security Act.

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

12 (205 ILCS 305/20.5 new)

13 Sec. 20.5. Appointment of associate directors.

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

24 (b) Before appointing an associate director, the board
25 shall confirm that the person meets all of the requirements to

1 serve as a director, including, without limitation, a working
2 familiarity with the financial and accounting practices of the
3 credit union as set forth in subsection (c) of Section 30.

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

11 (d) The board shall require each associate director to
12 sign a confidentiality or non-disclosure agreement to ensure
13 that information concerning the credit union remains
14 confidential.

15 (205 ILCS 305/23) (from Ch. 17, par. 4424)

16 Sec. 23. Compensation of officials.

17 (1) Directors and committee members may receive reasonable
18 compensation for their service as such, the amount of which
19 shall be set by the board of directors, in accordance with
20 written policies and procedures established by the board of
21 directors. If the Department determines the payment of
22 director or committee member compensation, or both, creates a
23 safety and soundness issue for a credit union, the Department
24 shall utilize the standards set forth in 38 Ill. Adm. Code
25 190.25 and supplemental guidelines to address and resolve the

1 issue. An enforcement action taken pursuant to 38 Ill. Adm.
2 Code 190.25 and guidelines and specified by the Act shall be
3 used to reduce or suspend the compensation paid to the
4 directors and committee members. ~~The Department shall, by~~
5 ~~rule, establish maximum rates of reasonable compensation that~~
6 ~~are generally applicable to credit unions considering factors~~
7 ~~the Department may establish from time to time, including, but~~
8 ~~not limited to, total assets, nonprofit cooperative structure,~~
9 ~~and the best interests of members.~~ "Compensation" as used in
10 this subsection (1) refers to remuneration expense to the
11 credit union for services provided by a director or committee
12 member in his or her capacity as director or committee member.
13 The remuneration expense is in the form of monetary payments
14 and shall be disclosed on an annual basis to the membership in
15 the financial statement that is part of the annual membership
16 meeting materials. The disclosure shall contain: (i) the
17 amount paid to each director and (ii) the amount paid to the
18 directors as a group. "Compensation" does not include any of
19 the expenses described in subsections (2) and (3) of this
20 Section.

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

24 (3) Directors, committee members and employees, while on
25 official business of the credit union, may be reimbursed for
26 reasonable and necessary expenses. Alternatively, the credit

1 union may make direct payment to a third party for such
2 business expenses. Reasonable and necessary expenses may
3 include the payment of travel costs for the foregoing
4 officials and one guest per official. All payment of costs
5 shall be made in accordance with written policies and
6 procedures established by the board of directors.

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

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

10 (205 ILCS 305/34) (from Ch. 17, par. 4435)

11 Sec. 34. Duties of supervisory committee.

12 (1) The supervisory committee shall make or cause to be
13 made an annual internal audit of the books and affairs of the
14 credit union to determine that the credit union's accounting
15 records and reports are prepared promptly and accurately
16 reflect operations and results, that internal controls are
17 established and effectively maintained to safeguard the assets
18 of the credit union, and that the policies, procedures and
19 practices established by the board of directors and management
20 of the credit union are being properly administered. The
21 supervisory committee shall submit a report of that audit to
22 the board of directors and a summary of that report to the
23 members at the next annual meeting of the credit union. It
24 shall make or cause to be made such supplementary audits as it
25 deems necessary or as are required by the Secretary or by the

1 board of directors, and submit reports of these supplementary
2 audits to the Secretary or board of directors as applicable.
3 If the supervisory committee has not engaged a licensed
4 certified public accountant or licensed certified public
5 accounting firm to make the internal audit, the supervisory
6 committee or other officials of the credit union shall not
7 indicate or in any manner imply that such audit has been
8 performed by a licensed certified public accountant or
9 licensed certified public accounting firm or that the audit
10 represents the independent opinion of a licensed certified
11 public accountant or licensed certified public accounting
12 firm. The supervisory committee must retain its tapes and
13 working papers of each internal audit for inspection by the
14 Department. The report of this audit must be made on a form
15 approved by the Secretary. A copy of the report must be
16 promptly delivered to the Secretary as set forth in paragraph
17 (C) of subsection (3).

18 (2) The supervisory committee shall make or cause to be
19 made at least once each year a reasonable percentage
20 verification of members' share and loan accounts, consistent
21 with rules promulgated by the Secretary.

22 (3) (A) The supervisory committee of a credit union with
23 assets of \$10,000,000 or more shall engage a licensed
24 certified public accountant or licensed certified public
25 accounting firm to perform an annual external independent
26 audit of the credit union's financial statements in accordance

1 with generally accepted auditing standards and the financial
2 statements shall be issued in accordance with accounting
3 principles generally accepted in the United States of America.

4 (B) The supervisory committee of a credit union with
5 assets of \$5,000,000 or more, but less than \$10,000,000, shall
6 engage a licensed certified public accountant or licensed
7 certified public accounting firm to perform on an annual
8 basis: (i) an agreed-upon procedures engagement under
9 attestation standards established by the American Institute of
10 Certified Public Accountants to minimally satisfy the
11 supervisory committee internal audit standards set forth in
12 subsection (1); or (ii) an external independent audit of the
13 credit union's financial statements pursuant to the standards
14 set forth in paragraph (A) of subsection (3).

15 (C) Notwithstanding anything to the contrary in Section 6,
16 each credit union organized under this Act shall select the
17 annual period it desires to use for purposes of performing the
18 external independent audit, agreed-upon procedures engagement,
19 or internal audit described in this Section. The annual period
20 may end on the final day of any month and shall be construed to
21 mean once every calendar year and not once every 12-month
22 period. Irrespective of the annual period selected, the credit
23 union shall complete its external independent audit report,
24 agreed-upon procedures report, or internal audit report and
25 deliver a copy to the Secretary no later than 120 days after
26 the effective date of the audit or engagement, which shall

1 mean the last day of the selected annual period. ~~The external~~
2 ~~independent audit report or agreed-upon procedures report~~
3 ~~shall be completed and a copy thereof delivered to the~~
4 ~~Secretary no later than 120 days after the end of the calendar~~
5 ~~or fiscal year under audit or fiscal period for which the~~
6 ~~agreed-upon procedures are performed.~~ A credit union or group
7 of credit unions may obtain an extension of the due date upon
8 application to and receipt of written approval from the
9 Secretary.

10 (D) If the credit union engages a licensed certified
11 public accountant or licensed certified public accounting firm
12 to perform an annual external independent audit of the credit
13 union's financial statements pursuant to the standards in
14 paragraph (A) of subsection (3) or an annual agreed-upon
15 procedures engagement pursuant to the standards in paragraph
16 (B) of subsection (3), then the annual internal audit
17 requirements of subsection (1) shall be deemed satisfied and
18 met in all respects.

19 (4) In determining the appropriate balance in the
20 allowance for loan losses account, a credit union may
21 determine its historical loss rate using a defined period of
22 time of less than 5 years, provided that:

23 (A) the methodology used to determine the defined
24 period of time is formally documented in the credit
25 union's policies and procedures and is appropriate to the
26 credit union's size, business strategy, and loan portfolio

1 characteristics and the economic environment of the areas
2 and employers served by the credit union;

3 (B) supporting documentation is maintained for the
4 technique used to develop the credit union loss rates,
5 including the period of time used to accumulate historical
6 loss data and the factors considered in establishing the
7 time frames; and

8 (C) the external auditor conducting the credit union's
9 financial statement audit has analyzed the methodology
10 employed by the credit union and concludes that the
11 financial statements, including the allowance for loan
12 losses, are fairly stated in all material respects in
13 accordance with U.S. Generally Accepted Accounting
14 Principles, as promulgated by the Financial Accounting
15 Standards Board.

16 (5) A majority of the members of the supervisory committee
17 shall constitute a quorum.

18 (6) On an annual basis commencing January 1, 2015, the
19 members of the supervisory committee shall receive training
20 related to their statutory duties. Supervisory committee
21 members may receive the training through internal credit union
22 training, external training offered by the credit union's
23 retained auditors, trade associations, vendors, regulatory
24 agencies, or any other sources or on-the-job experience, or a
25 combination of those activities. The training may be received
26 through any medium, including, but not limited to,

1 conferences, workshops, audit closing meetings, seminars,
2 teleconferences, webinars, and other Internet-based delivery
3 channels.

4 (Source: P.A. 100-778, eff. 8-10-18; 101-81, eff. 7-12-19.)

5 (205 ILCS 305/51) (from Ch. 17, par. 4452)

6 Sec. 51. Other loan programs.

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

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

25 (3) A credit union may purchase the conditional sales

1 contracts, notes and similar instruments which evidence an
2 indebtedness of its members. In the management of its assets,
3 liabilities, and liquidity, a credit union may purchase the
4 conditional sales contracts, notes, and other similar
5 instruments that evidence the consumer indebtedness of the
6 members of another credit union. "Consumer indebtedness" means
7 indebtedness incurred for personal, family, or household
8 purposes.

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

17 (5) With the approval of the board of directors, a credit
18 union may make loans, either on its own or jointly with other
19 credit unions, corporations, or financial institutions, to
20 community development financial institutions as defined in
21 regulations issued by the U.S. Department of the Treasury and
22 minority depository institutions as defined by the National
23 Credit Union Administration. The aggregate amount of all such
24 loans outstanding shall not at any time exceed 5% of the
25 paid-in and unimpaired capital and surplus of the credit
26 union.

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

2 (205 ILCS 305/57) (from Ch. 17, par. 4458)

3 Sec. 57. Group purchasing and marketing.

4 (a) A credit union may, consistent with rules and
5 regulations promulgated by the Secretary, enter into
6 cooperative marketing arrangements to facilitate its members'
7 voluntary purchase of such goods and services as are in the
8 interest of improving economic and social conditions of the
9 members.

10 (b) A credit union may create and use descriptive and
11 brand references to promote and market its identity, services,
12 and products to its members. In the case of a merger pursuant
13 to Section 63, the surviving credit union may identify the
14 merging credit union as a division, branch, unit, or other
15 descriptive reference that ensures the members understand they
16 are dealing with one credit union rather than multiple credit
17 unions, as of the effective date of the merger.

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

19 (205 ILCS 305/59) (from Ch. 17, par. 4460)

20 Sec. 59. Investment of funds.

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

24 (1) In securities, obligations or other instruments of

1 or issued by or fully guaranteed as to principal and
2 interest by the United States of America or any agency
3 thereof or in any trust or trusts established for
4 investing directly or collectively in the same;

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

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

24 (4) In shares, classes of shares or share certificates
25 of other credit unions, including, but not limited to
26 corporate credit unions; provided that such credit unions

1 have their members' accounts insured by the NCUA or other
2 approved insurers, and that if the members' accounts are
3 so insured, a credit union's investment may exceed the
4 insured limit on accounts;

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

10 (6) In obligations of the State of Israel, or
11 obligations fully guaranteed by the State of Israel as to
12 payment of principal and interest;

13 (7) In shares, stocks or obligations of other
14 financial institutions in the total amount not exceeding
15 5% of the unimpaired capital and surplus of the credit
16 union;

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

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

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

26 (i) the board of directors has established a

1 written policy that addresses corporate bond
2 investment procedures and how the credit union will
3 manage credit risk, interest rate risk, liquidity
4 risk, and concentration risk; and

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

15 (11) To aid in the credit union's management of its
16 assets, liabilities, and liquidity in the purchase of an
17 investment interest in a pool of loans, in whole or in part
18 and without regard to the membership of the borrowers,
19 from other depository institutions and financial type
20 institutions, including mortgage banks, finance companies,
21 insurance companies, and other loan sellers, subject to
22 such safety and soundness standards, limitations, and
23 qualifications as the Department may establish by rule or
24 guidance from time to time;

25 (12) To aid in the credit union's management of its
26 assets, liabilities, and liquidity by receiving funds from

1 another financial institution as evidenced by certificates
2 of deposit, share certificates, or other classes of shares
3 issued by the credit union to the financial institution;
4 ~~and~~

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

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

19 (b) As used in this Section:

20 "Political subdivision" includes, but is not limited to,
21 counties, townships, cities, villages, incorporated towns,
22 school districts, educational service regions, special road
23 districts, public water supply districts, fire protection
24 districts, drainage districts, levee districts, sewer
25 districts, housing authorities, park districts, and any
26 agency, corporation, or instrumentality of a state or its

1 political subdivisions, whether now or hereafter created and
2 whether herein specifically mentioned or not.

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

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

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

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

22 (205 ILCS 305/64.7)

23 Sec. 64.7. Network credit unions.

24 (a) Two or more credit unions merging pursuant to Section
25 63 of this Act may elect to request a network credit union

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

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

26 (c) Each divisional credit union may have an advisory

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

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

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

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