



98TH GENERAL ASSEMBLY

State of Illinois

2013 and 2014

HB5342

by Rep. Lou Lang

SYNOPSIS AS INTRODUCED:

205 ILCS 305/1.1	from Ch. 17, par. 4402
205 ILCS 305/9	from Ch. 17, par. 4410
205 ILCS 305/30	from Ch. 17, par. 4431
205 ILCS 305/34	from Ch. 17, par. 4435
205 ILCS 305/39	from Ch. 17, par. 4440
205 ILCS 305/46	from Ch. 17, par. 4447
205 ILCS 305/57.1 new	

Amends the Illinois Credit Union Act. Defines "charitable donation account" and provides that a credit union may establish one or more charitable donation accounts that must comply with the requirements of the Act. Further provides that the investments and purchases to fund a charitable donation account are not subject to the investment limitations of the Act and that the aggregate book value of the investments in all charitable donation accounts shall not exceed 5% of the credit union's net worth. Adds provisions establishing the procedural requirements of the Department of Financial and Professional Regulation's examination process and prescribes the requirements of the Department's examination reports. Provides that each member of the board of directors of a credit union shall have a working familiarity with basic finance and accounting practices consistent with the size and complexity of the credit union they serve. Further provides that members of the supervisory committee of a credit union shall receive training related to their duties under the Act and establishes the acceptable forms of such training. Provides that, for a renewal, refinancing, or restructuring of an existing loan that is secured by an interest in real estate, a new appraisal of the collateral shall not be required under certain circumstances. Additionally provides that a credit union may act as a representative of and enter into an agreement with other credit unions or organizations for certain purposes. Generally effective immediately, but some provisions take effect on January 1, 2015.

LRB098 19293 ZMM 55277 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, 9, 30, 34, 39, and 46 and by adding
6 Section 57.1 as 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 immediate families which shall

1 include any relative by blood or marriage or foster and
2 adopted children.

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

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

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

24 Credit Union Organization - The term "credit union
25 organization" means any organization established to serve the
26 needs of credit unions, the business of which relates to the

1 daily operations of credit unions.

2 Department - The term "Department" means the Illinois
3 Department of Financial and Professional Regulation.

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

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

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

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

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

21 Central Credit Union - The term "central credit union"
22 means a credit union incorporated primarily to receive shares
23 from and make loans to credit unions and directors, officers,
24 committee members and employees of credit unions. A central
25 credit union may also accept as members persons who were
26 members of credit unions which were liquidated and persons from

1 occupational groups not otherwise served by another credit
2 union.

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

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

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

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

21 Charitable Donation Account - The term "charitable
22 donation account" means an account owned by a credit union that
23 is held in a segregated custodial account or special purpose
24 entity and specifically identified as a charitable donation
25 account whereby, no less frequently than every 5 years and upon
26 termination of the account, at least 51% of the total return on

1 assets in the account is distributed to one or more charitable
2 organizations or non-profit entities.

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

4 (205 ILCS 305/9) (from Ch. 17, par. 4410)

5 Sec. 9. Reports and examinations.

6 (1) Credit unions shall report to the Department on forms
7 supplied by the Department, in accordance with a schedule
8 published by the Department. A recapitulation of the annual
9 reports shall be compiled and published annually by the
10 Department, for the use of the General Assembly, credit unions,
11 various educational institutions and other interested parties.
12 A credit union which fails to file any report when due shall
13 pay to the Department a late filing fee for each day the report
14 is overdue as prescribed by rule. The Secretary may extend the
15 time for filing a report.

16 (2) The Secretary may require special examinations of and
17 special financial reports from a credit union or a credit union
18 organization in which a credit union loans, invests, or
19 delegates substantially all managerial duties and
20 responsibilities when he determines that such examinations and
21 reports are necessary to enable the Department to determine the
22 safety of a credit union's operation or its solvency. The cost
23 to the Department of the aforesaid special examinations shall
24 be borne by the credit union being examined as prescribed by
25 rule.

1 (3) All credit unions incorporated under this Act shall be
2 examined at least biennially by the Department or, at the
3 discretion of the Secretary, by a public accountant registered
4 by the Department of Financial and Professional Regulation. The
5 costs of an examination shall be paid by the credit union. The
6 scope of all examinations by a public accountant shall be at
7 least equal to the examinations made by the Department. The
8 examiners shall have full access to, and may compel the
9 production of, all the books, papers, securities and accounts
10 of any credit union. A special examination shall be made by the
11 Department or by a public accountant approved by the Department
12 upon written request of 5 or more members, who guarantee the
13 expense of the same. Any credit union refusing to submit to an
14 examination when ordered by the Department shall be reported to
15 the Attorney General, who shall institute proceedings to have
16 its charter revoked. If the Secretary determines that the
17 examination of a credit union is to be conducted by a public
18 accountant registered by the Department of Financial and
19 Professional Regulation and the examination is done in
20 conjunction with the credit union's external independent audit
21 of financial statements, the requirements of this Section and
22 subsection (3) of Section 34 shall be deemed met.

23 (4) (a) In conducting its examinations of credit unions, it
24 shall be the objective of the Department to work together with
25 the credit unions to proactively identify problems and
26 reasonable solutions and the Department shall adhere to the

1 following standards of performance:

2 (i) Credit union management shall be involved in the
3 development of any corrective action plans.

4 (ii) As examiners identify concerns, credit union
5 management should articulate solutions.

6 (iii) The goal shall be to utilize management's
7 preferred strategies to address and resolve any issues
8 identified in the examination, if the preferred strategies
9 represent a reasonable chance of success.

10 (iv) Reasonable solutions provided by the credit union
11 shall become the corrective action plan included in any
12 document of resolution issued to the credit union.

13 (b) In preparing its examination report, the Department
14 shall convey the purpose, scope, identified problems,
15 corrective actions, and conclusions reached during the
16 examination process. Examiners shall develop a professional
17 and concise examination report that communicates all problems
18 and risks in an understandable format for the credit union. The
19 examination report shall:

20 (i) properly identify all material examination
21 concerns related to the risk areas of credit, interest
22 rate, liquidity, transaction, compliance, strategic, and
23 reputation;

24 (ii) relate the applicable risk areas to the
25 examination ratings;

26 (iii) support all conclusions reached regarding

1 problems identified;

2 (iv) outline proper corrective actions to ensure
3 problems are resolved in a timely manner, drawing upon the
4 preferred strategies and reasonable solutions provided by
5 the credit union; and

6 (v) establish a documented administrative record to
7 support future administrative action and problem
8 resolution, if necessary.

9 (c) Examiners shall set aside time throughout the
10 examination to discuss in a professional and respectful manner
11 with management and the board of the credit union any problems
12 identified during the examination. Examiners shall provide
13 management and the board of the credit union with a draft copy
14 of the examination report and any examiner's findings and
15 document of resolution, with sufficient time to review the
16 draft report before the joint conference or exit meeting with
17 the credit union's board of directors. Examiners shall not
18 present new information to management or the board of directors
19 at the joint conference, at the exit interview, or in the final
20 examination report.

21 (d) The Secretary shall adopt rules to administer and carry
22 out the standards set forth in this subsection (4), including
23 rules that: (i) define the scope of the examination process;
24 (ii) clarify examination items to be resolved; and (iii) ensure
25 consistency and due process in the examination process. The
26 Secretary may also establish guidelines to implement the

1 standards and objectives set forth in this subsection (4). The
2 rules, formal guidance, interpretative letters, or opinions
3 furnished to credit unions by the Secretary may be relied upon
4 by the credit unions.

5 (e) Prior to commencement of the examination and during
6 each stage of the examination, the Department shall make a
7 reasonable effort to provide prior and reasonable notification
8 to management and the board of the credit union of the
9 commencement date, the joint conference and the exit interview,
10 and the data, information, and documentation deemed necessary
11 by the Department to conduct the examination. The Department
12 shall submit its final examination report to the credit union
13 in a timely manner after the exit meeting. In addition to the
14 time period referenced in subsection (5) of this Section for
15 replying to review comment letters, the credit union shall be
16 afforded a reasonable period in which to implement corrective
17 action in response to a finding, document of resolution, or
18 other administrative request.

19 (5) ~~(4)~~ A copy of the completed report of examination and a
20 review comment letter, if any, citing exceptions revealed
21 during the examination, shall be submitted to the credit union
22 by the Department. A detailed report stating the corrective
23 actions taken by the board of directors on each exception set
24 forth in the review comment letter shall be filed with the
25 Department within 40 days after the date of the review comment
26 letter, or as otherwise directed by the Department. Any credit

1 union through its officers, directors, committee members or
2 employees, which willfully provides fraudulent or misleading
3 information regarding the corrective actions taken on
4 exceptions appearing in a review comment letter may have its
5 operations restricted to the collection of principal and
6 interest on loans outstanding and the payment of normal
7 expenses and salaries until all exceptions are corrected and
8 accepted by the Department.

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

10 (205 ILCS 305/30) (from Ch. 17, par. 4431)

11 Sec. 30. Duties of directors.

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

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

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

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

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

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

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

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

21 (8) Authorize the employment of or contracting with
22 such persons or organizations as may be necessary to carry
23 on the operations of the credit union, provided that prior
24 approval is received from the Department before delegating
25 substantially all managerial duties and responsibilities
26 to a credit union organization, and fix the compensation,

1 if any, of the officers and provide for compensation for
2 other employees within policies established by the board of
3 directors;

4 (9) Authorize the conveyance of property;

5 (10) Borrow or lend money consistent with the
6 provisions of this Act;

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

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

19 (13) Appoint any special committees deemed necessary;
20 and

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

25 (b) The board of directors may delegate to the chief
26 management official, according to guidelines established by

1 the board that may include the authority to further delegate
2 one or more duties, all of the following duties:

3 (1) determining the interest rates on loans;

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

5 and

6 (3) hiring employees other than the chief management
7 official and fixing their compensation.

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

22 A director who was elected or appointed on or after January
23 1, 2015 and who comes to the position without the requisite
24 financial skills shall have until 6 months after the date of
25 election or appointment to acquire the enumerated skills.

26 An incumbent director who was elected or appointed before

1 January 1, 2015 and does not possess the requisite financial
2 skills shall have until July 1, 2015 to acquire the enumerated
3 skills.

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

9 It is the intent of the Department that all credit union
10 directors possess a basic understanding of their credit union's
11 financial condition. It is not the intent of the Department to
12 subject credit union directors to examiner scrutiny of their
13 financial skills. Rather, the Department shall evaluate
14 whether the credit union has in place a policy to make
15 available to their directors appropriate training to enhance
16 their financial knowledge of the credit union. Directors may
17 receive the training through internal credit union training,
18 external training offered by the credit union's retained
19 auditors, trade associations, vendors, regulatory agencies, or
20 any other sources or on-the-job experience, or a combination of
21 those activities. The training may be received through any
22 medium, including, but not limited to, conferences, workshops,
23 audit closing meetings, seminars, teleconferences, webinars,
24 and other internet based delivery channels.

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

1 (205 ILCS 305/34) (from Ch. 17, par. 4435)

2 Sec. 34. Duties of supervisory committee.

3 (1) The supervisory committee shall make or cause to be
4 made an annual internal audit of the books and affairs of the
5 credit union to determine that the credit union's accounting
6 records and reports are prepared promptly and accurately
7 reflect operations and results, that internal controls are
8 established and effectively maintained to safeguard the assets
9 of the credit union, and that the policies, procedures and
10 practices established by the board of directors and management
11 of the credit union are being properly administered. The
12 supervisory committee shall submit a report of that audit to
13 the board of directors and a summary of that report to the
14 members at the next annual meeting of the credit union. It
15 shall make or cause to be made such supplementary audits as it
16 deems necessary or as are required by the Secretary or by the
17 board of directors, and submit reports of these supplementary
18 audits to the Secretary or board of directors as applicable. If
19 the supervisory committee has not engaged a public accountant
20 registered by the Department of Financial and Professional
21 Regulation to make the internal audit, the supervisory
22 committee or other officials of the credit union shall not
23 indicate or in any manner imply that such audit has been
24 performed by a public accountant or that the audit represents
25 the independent opinion of a public accountant. The supervisory
26 committee must retain its tapes and working papers of each

1 internal audit for inspection by the Department. The report of
2 this audit must be made on a form approved by the Secretary. A
3 copy of the report must be promptly mailed to the Secretary.

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

8 (3) The supervisory committee of a credit union with assets
9 of \$5,000,000 or more shall engage a public accountant
10 registered by the Department of Financial and Professional
11 Regulation to perform an annual external independent audit of
12 the credit union's financial statements in accordance with
13 generally accepted auditing standards. The supervisory
14 committee of a credit union with assets of \$3,000,000 or more,
15 but less than \$5,000,000, shall engage a public accountant
16 registered by the Department of Financial and Professional
17 Regulation to perform an external independent audit of the
18 credit union's financial statements in accordance with
19 generally accepted auditing standards at least once every 3
20 years. A copy of an external independent audit shall be
21 completed and mailed to the Secretary no later than 90 days
22 after December 31 of each year; provided that a credit union or
23 group of credit unions may obtain an extension of the due date
24 upon application to and receipt of written approval from the
25 Secretary. If the annual internal audit of such a credit union
26 is conducted by a public accountant registered by the

1 Department of Financial and Professional Regulation and the
2 annual internal audit is done in conjunction with the credit
3 union's annual external audit, the requirements of subsection
4 (1) of this Section shall be deemed met.

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

9 (A) the methodology used to determine the defined
10 period of time is formally documented in the credit union's
11 policies and procedures and is appropriate to the credit
12 union's size, business strategy, and loan portfolio
13 characteristics and the economic environment of the areas
14 and employers served by the credit union;

15 (B) supporting documentation is maintained for the
16 technique used to develop the credit union loss rates,
17 including the period of time used to accumulate historical
18 loss data and the factors considered in establishing the
19 time frames; and

20 (C) the external auditor conducting the credit union's
21 financial statement audit has analyzed the methodology
22 employed by the credit union and concludes that the
23 financial statements, including the allowance for loan
24 losses, are fairly stated in all material respects in
25 accordance with U.S. Generally Accepted Accounting
26 Principles, as promulgated by the Financial Accounting

1 Standards Board.

2 (5) A majority of the members of the supervisory committee
3 shall constitute a quorum.

4 (6) On an annual basis commencing January 1, 2015, the
5 members of the supervisory committee shall receive training
6 related to their statutory duties. Supervisory committee
7 members may receive the training through internal credit union
8 training, external training offered by the credit union's
9 retained auditors, trade associations, vendors, regulatory
10 agencies, or any other sources or on-the-job experience, or a
11 combination of those activities. The training may be received
12 through any medium, including, but not limited to, conferences,
13 workshops, audit closing meetings, seminars, teleconferences,
14 webinars, and other Internet-based delivery channels.

15 (Source: P.A. 96-141, eff. 8-7-09; 96-963, eff. 7-2-10; 97-133,
16 eff. 1-1-12.)

17 (205 ILCS 305/39) (from Ch. 17, par. 4440)

18 Sec. 39. Special purpose share accounts; charitable
19 donation accounts.

20 (1) If provided for in and consistent with the bylaws,
21 Christmas clubs, vacation clubs and other special purpose share
22 accounts may be established and offered under conditions and
23 restrictions established by the board of directors.

24 (2) Pursuant to a policy adopted by the board of directors,
25 which may be amended from time to time, a credit union may

1 establish one or more charitable donation accounts. The
2 investments and purchases to fund a charitable donation account
3 are not subject to the investment limitations of this Act,
4 provided the charitable donation account is structured in
5 accordance with this Act. At their time of purchase, the book
6 value of the investments in all charitable donation accounts,
7 in the aggregate, shall not exceed 5% of the credit union's net
8 worth.

9 (a) If a credit union chooses to establish a charitable
10 donation account using a trust vehicle, the trustee must be
11 an entity regulated by the Office of the Comptroller of the
12 Currency, the U.S. Securities and Exchange Commission or
13 another federal regulatory agency. A regulated trustee or
14 other person who is authorized to make investment decisions
15 for a charitable donation account, other than the credit
16 union itself, shall be registered with the U.S. Securities
17 and Exchange Commission as an investment advisor.

18 (b) If the credit union utilizes a third party to
19 establish or administer a charitable donation account, the
20 parties, typically the charitable donation account trustee
21 or other manager, shall document the terms and conditions
22 controlling the account in a written operating agreement,
23 trust agreement, or similar instrument. The terms of the
24 agreement shall be consistent with the requirements and
25 conditions set forth in this Section. The agreement, if
26 applicable, and policies must document the investment

1 strategies of the charitable donation account trustee or
2 other manager in administering the charitable donation
3 account and provide for the accounting of all aspects of
4 the account, including its distributions and liquidation,
5 in accordance with generally accepted accounting
6 principles.

7 (c) A credit union's charitable donation account
8 agreement, if applicable, and policies shall provide that
9 the charitable organization or non-profit entity
10 recipients of any charitable donation account funds must be
11 identified in the policy and be exempt from taxation under
12 Section 501(c) (3) of the Internal Revenue Code.

13 (d) Upon termination of a charitable donation account,
14 the credit union may receive a distribution of the
15 remaining assets in cash, or a distribution in kind of the
16 remaining assets, but only if those assets are permissible
17 investments for credit unions pursuant to this Act.

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

19 (205 ILCS 305/46) (from Ch. 17, par. 4447)

20 Sec. 46. Loans and interest rate.

21 (1) A credit union may make loans to its members for such
22 purpose and upon such security and terms, including rates of
23 interest, as the credit committee, credit manager, or loan
24 officer approves. Notwithstanding the provisions of any other
25 law in connection with extensions of credit, a credit union may

1 elect to contract for and receive interest and fees and other
2 charges for extensions of credit subject only to the provisions
3 of this Act and rules promulgated under this Act, except that
4 extensions of credit secured by residential real estate shall
5 be subject to the laws applicable thereto. The rates of
6 interest to be charged on loans to members shall be set by the
7 board of directors of each individual credit union in
8 accordance with Section 30 of this Act and such rates may be
9 less than, but may not exceed, the maximum rate set forth in
10 this Section. A borrower may repay his loan prior to maturity,
11 in whole or in part, without penalty. The credit contract may
12 provide for the payment by the member and receipt by the credit
13 union of all costs and disbursements, including reasonable
14 attorney's fees and collection agency charges, incurred by the
15 credit union to collect or enforce the debt in the event of a
16 delinquency by the member, or in the event of a breach of any
17 obligation of the member under the credit contract. A
18 contingency or hourly arrangement established under an
19 agreement entered into by a credit union with an attorney or
20 collection agency to collect a loan of a member in default
21 shall be presumed prima facie reasonable.

22 (2) Credit unions may make loans based upon the security of
23 any interest or equity in real estate, subject to rules and
24 regulations promulgated by the Secretary. In any contract or
25 loan which is secured by a mortgage, deed of trust, or
26 conveyance in the nature of a mortgage, on residential real

1 estate, the interest which is computed, calculated, charged, or
2 collected pursuant to such contract or loan, or pursuant to any
3 regulation or rule promulgated pursuant to this Act, may not be
4 computed, calculated, charged or collected for any period of
5 time occurring after the date on which the total indebtedness,
6 with the exception of late payment penalties, is paid in full.

7 For purposes of this subsection (2) of this Section 46, a
8 prepayment shall mean the payment of the total indebtedness,
9 with the exception of late payment penalties if incurred or
10 charged, on any date before the date specified in the contract
11 or loan agreement on which the total indebtedness shall be paid
12 in full, or before the date on which all payments, if timely
13 made, shall have been made. In the event of a prepayment of the
14 indebtedness which is made on a date after the date on which
15 interest on the indebtedness was last computed, calculated,
16 charged, or collected but before the next date on which
17 interest on the indebtedness was to be calculated, computed,
18 charged, or collected, the lender may calculate, charge and
19 collect interest on the indebtedness for the period which
20 elapsed between the date on which the prepayment is made and
21 the date on which interest on the indebtedness was last
22 computed, calculated, charged or collected at a rate equal to
23 $1/360$ of the annual rate for each day which so elapsed, which
24 rate shall be applied to the indebtedness outstanding as of the
25 date of prepayment. The lender shall refund to the borrower any
26 interest charged or collected which exceeds that which the

1 lender may charge or collect pursuant to the preceding
2 sentence. The provisions of this amendatory Act of 1985 shall
3 apply only to contracts or loans entered into on or after the
4 effective date of this amendatory Act.

5 (3) Notwithstanding any other provision of this Act, a
6 credit union authorized under this Act to make loans secured by
7 an interest or equity in real estate may engage in making
8 "reverse mortgage" loans to persons for the purpose of making
9 home improvements or repairs, paying insurance premiums or
10 paying real estate taxes on the homestead properties of such
11 persons. If made, such loans shall be made on such terms and
12 conditions as the credit union shall determine and as shall be
13 consistent with the provisions of this Section and such rules
14 and regulations as the Secretary shall promulgate hereunder.
15 For purposes of this Section, a "reverse mortgage" loan shall
16 be a loan extended on the basis of existing equity in homestead
17 property and secured by a mortgage on such property. Such loans
18 shall be repaid upon the sale of the property or upon the death
19 of the owner or, if the property is in joint tenancy, upon the
20 death of the last surviving joint tenant who had such an
21 interest in the property at the time the loan was initiated,
22 provided, however, that the credit union and its member may by
23 mutual agreement, establish other repayment terms. A credit
24 union, in making a "reverse mortgage" loan, may add deferred
25 interest to principal or otherwise provide for the charging of
26 interest or premiums on such deferred interest. "Homestead"

1 property, for purposes of this Section, means the domicile and
2 contiguous real estate owned and occupied by the mortgagor.

3 (4) Notwithstanding any other provisions of this Act, a
4 credit union authorized under this Act to make loans secured by
5 an interest or equity in real property may engage in making
6 revolving credit loans secured by mortgages or deeds of trust
7 on such real property or by security assignments of beneficial
8 interests in land trusts.

9 For purposes of this Section, "revolving credit" has the
10 meaning defined in Section 4.1 of the Interest Act.

11 Any mortgage or deed of trust given to secure a revolving
12 credit loan may, and when so expressed therein shall, secure
13 not only the existing indebtedness but also such future
14 advances, whether such advances are obligatory or to be made at
15 the option of the lender, or otherwise, as are made within
16 twenty years from the date thereof, to the same extent as if
17 such future advances were made on the date of the execution of
18 such mortgage or deed of trust, although there may be no
19 advance made at the time of execution of such mortgage or other
20 instrument, and although there may be no indebtedness
21 outstanding at the time any advance is made. The lien of such
22 mortgage or deed of trust, as to third persons without actual
23 notice thereof, shall be valid as to all such indebtedness and
24 future advances from the time said mortgage or deed of trust is
25 filed for record in the office of the recorder of deeds or the
26 registrar of titles of the county where the real property

1 described therein is located. The total amount of indebtedness
2 that may be so secured may increase or decrease from time to
3 time, but the total unpaid balance so secured at any one time
4 shall not exceed a maximum principal amount which must be
5 specified in such mortgage or deed of trust, plus interest
6 thereon, and any disbursements made for the payment of taxes,
7 special assessments, or insurance on said real property, with
8 interest on such disbursements.

9 Any such mortgage or deed of trust shall be valid and have
10 priority over all subsequent liens and encumbrances, including
11 statutory liens, except taxes and assessments levied on said
12 real property.

13 (5) Compliance with federal or Illinois preemptive laws or
14 regulations governing loans made by a credit union chartered
15 under this Act shall constitute compliance with this Act.

16 (6) Credit unions may make residential real estate mortgage
17 loans on terms and conditions established by the United States
18 Department of Agriculture through its Rural Development
19 Housing and Community Facilities Program. The portion of any
20 loan in excess of the appraised value of the real estate shall
21 be allocable only to the guarantee fee required under the
22 program.

23 (7) For a renewal, refinancing, or restructuring of an
24 existing loan that is secured by an interest or equity in real
25 estate, a new appraisal of the collateral shall not be required
26 when the transaction involves an existing extension of credit

1 at the credit union, no new moneys are advanced other than
2 funds necessary to cover reasonable closing costs, and there
3 has been no obvious or material change in market conditions or
4 physical aspects of the real estate that threatens the adequacy
5 of the credit union's real estate collateral protection after
6 the transaction.

7 (Source: P.A. 96-141, eff. 8-7-09; 97-133, eff. 1-1-12.)

8 (205 ILCS 305/57.1 new)

9 Sec. 57.1. Services to other credit unions.

10 (a) A credit union may act as a representative of and enter
11 into an agreement with credit unions or other organizations for
12 the purpose of:

13 (1) sharing, utilizing, renting, leasing, purchasing,
14 selling, and joint ownership of fixed assets or engaging in
15 activities and services that relate to the daily operations
16 of credit unions; and

17 (2) providing correspondent services to other credit
18 unions that the service provider credit union is authorized
19 to perform for its own members or as part of its
20 operations, including, but not limited to, loan
21 processing, loan servicing, member check cashing services,
22 disbursing share withdrawals and loan proceeds, cashing
23 and selling money orders, ACH and wire transfer services,
24 coin and currency services, performing internal audits,
25 and automated teller machine deposit services.

1 Section 99. Effective date. This Act takes effect upon
2 becoming law, except that the changes to Section 9 and
3 subsection (6) of Section 34 of the Illinois Credit Union Act
4 take effect January 1, 2015.