

AN ACT concerning regulation.

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

Section 5. The Illinois Credit Union Act is amended by changing Sections 19, 23, 34, 51, 57, 59, and 64.7 and by adding Section 20.5 as follows:

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

Sec. 19. Meeting of members.

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

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

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

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

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

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

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

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

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

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

(205 ILCS 305/20.5 new)

Sec. 20.5. Appointment of associate directors.

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

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

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

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

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

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

Sec. 23. Compensation of officials.

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

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

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

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

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

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

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

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

Sec. 34. Duties of supervisory committee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 51. Other loan programs.

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

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

(3) A credit union may purchase the conditional sales

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

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

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

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

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

Sec. 57. Group purchasing and marketing.

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

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

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

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

Sec. 59. Investment of funds.

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

(1) In securities, obligations or other instruments of

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

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

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

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

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

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

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

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

(8) In federal funds and bankers' acceptances;

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

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

(i) the board of directors has established a

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

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

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

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

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

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

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

(b) As used in this Section:

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

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

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

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

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

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

(205 ILCS 305/64.7)

Sec. 64.7. Network credit unions.

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

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

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

(c) Each divisional credit union may have an advisory

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

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

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

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