CREDIT UNION SECTION
BACKGROUND & OVERVIEW

For decades, an important community-based institution for many working families was the neighborhood credit union. Serving as both a depository and a loan office, credit unions provide a means of saving for retirement, a “rainy day” fund, college tuition, as well as loans for a home, a new car and other purchases that might otherwise be out of reach.

In 1925, the Illinois General Assembly passed the Illinois Credit Union Act (“Act”) to safeguard the monetary deposits and other financial instruments of Illinois residents doing their banking at a credit union.

This statute, which has been amended throughout the decades, requires the Department of Financial and Professional Regulation (DFPR) to examine at least bi-biennially each credit union’s financial condition. Examinations are conducted by the Credit Union Section, part of the agency’s Division of Financial Institutions (“DFI”). These exams ensure each credit union is in compliance with the Act, the adopted rules and regulations, and all other applicable state laws.

Regular examinations of credit unions, other regulatory measures, and an exchange of feedback between the Department and the state’s credit unions, goes a long way in ensuring that Illinois has healthy and financially sound credit unions. These steps help to protect all credit union account holders in Illinois.

The Illinois Department of Financial and Professional Regulation’s (IDFPR) Division of Financial Institutions (DFI) has a number of key responsibilities including the following:

⇒ LICENSING — Financial institutions operating in Illinois must be licensed or chartered in accordance with various laws. DFI pursues unlicensed entities to protect consumers against fraud, theft and other abuses.

⇒ APPLICATION REVIEW— DFI reviews license applications and renewals to ensure all licensing or chartering requirements are met by lenders, depository institutions, creditors and other licensees.

⇒ EXAMINATIONS— DFI examines financial institutions as mandated by law, along with incorporating additional exams when warranted to ensure operations are financially sound and functioning as required.

⇒ EDUCATION— DFI works to educate consumers, build financial literacy and support consumer awareness by participating in seminars and other educational forums.

⇒ INVESTIGATIONS— DFI investigates complaints against financial institutions operating in Illinois.

⇒ DISCIPLINARY ACTIONS— DFI will take action against financial institutions that violate the law or fail to meet business license requirements, including: suspension, corrective action plans, or revocation.

⇒ LEGISLATION— DFI sponsors legislation that it believes will better protect and safeguard consumers. DFI works with the Governor, legislators and numerous stakeholders to collaborate on proposals.
Credit Union FAQ

Q: What are the duties and responsibilities of the Credit Union Section?
A: The Credit Union section regulates credit unions, chartered by the Illinois Credit Union Act (ICUA), to maintain a credible, responsive and sound regulatory environment for members of state-chartered credit unions in Illinois.

Q: What are a credit union's main purposes?
A: Per the objectives outlined in the Illinois Credit Union Act, credit unions' main purposes are to encourage thrift, to create a source of credit at a reasonable rate of interest, and to provide an opportunity for members to control their own money to improve their economic and social conditions.

Q: Which credit unions are regulated by DFI's Credit Union section?
A: Only Illinois' state-chartered credit unions are regulated by the DFI Credit Union Section. As of January 2017, there are currently over 210 state-chartered credit unions with combined assets totaling $36 billion. These credit unions provide services to over 3 million members.

Q: Who are the owners of credit unions?
A: Credit unions are owned by their members—“members” are holders of a credit union depository account, such as a savings account, checking account, or other types of instruments offered.

Q: Who can form a credit union?
A: Nine or more persons of legal age, the majority of whom are residents of Illinois, and who share a particular “common bond”, as defined by Sec. 1.1 of the IL Credit Union Act (“Act”), may organize a credit union. Other organizational steps are required, as described in Sec. 2 of the Act, such as creating bylaws and articles of incorporation; the necessary documents are submitted to DFI for approval of a new charter.

Credit Union FAQs, Continued

Q: What is the criteria for joining a particular credit union?
A: Members must share a “common bond”, such as:
- Belonging to a common association, group or organization, such as the same church, same organized labor union, professional group, club or society,
- residing in the same reasonably compact and well-defined neighborhood or community, or
- having the same employer.

For most Credit Unions, relatives, including a blood relative, spouse, foster or adopted child, of any person meeting a credit union’s “common bond” criteria are also eligible.

Q: Does DFI’s Credit Union section use a rating system when assessing the overall condition of a credit union?
A: Yes. The “CAMEL” rating system (Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity) is the primary tool for regulating state-chartered credit unions. This together with the “AIREX” examination tool (Automated, Integrated, Regulatory Examination System) is used to maintain consistency in rating state and federal-chartered credit unions. The National Credit Union Administration (NCUA) is the federal counterpart to the state government regulators of credit unions.

Q: What types of depository products do credit unions offer?
A: Products offered vary from credit union to credit union. Those commonly offered are checking accounts, savings accounts, and money market accounts. Some credit unions also offer certificates of deposit and individual retirement accounts (IRAs).

Q: What types of loan products do credit unions offer?
A: Products offered can include personal loans, credit cards, automobile loans, and home equity loans. Some credit unions also offer first mortgage financing and business loans for members.

Credit Union FAQs, Continued

Q: Where can I get a listing of the state-chartered credit unions which are regulated by the DFI’s Credit Union section?

DFPR WORKS TO SAFEGUARD CONSUMERS

♦ PROTECTING AGAINST FINANCIAL EXPLOITATION—DFPR is joining the Department on Aging (DoA) to implement measures that will protect elder individuals from financial exploitation and abuse. Offenders can include strangers posing as utility personnel to rob homes, scammers pushing phony products and services; family members strong-arming elders in handing over funds with threats of harm, or the withholding of basic care. All seek to exploit seniors who may be facing diminishing health, or fears common to those who are aging. DFI is working to educate licensees about the emerging problem of elder exploitation and to take added steps to protect seniors with whom they come into contact.

♦ The Credit Union Section ensures that state-chartered credit unions comply with Illinois Adult Protective Services Act by enforcing the Act’s financial institution training requirement. All state-chartered credit unions must train employees that directly interact with credit union members (customers). Refresher training must be provided every three years. New staff that interact with customers must be trained promptly. Credit unions are asked to report the number of employees trained to the Credit Union section twice per year. A list of employees and officers that have satisfactorily completed training must be maintained by the credit union. The credit union must provide this list for IDFPR’s review when requested by the Credit Union section.