

Starting an Illinois State Chartered Credit Union

Thank you for your interest for information regarding the formation of an Illinois state chartered credit union.

A state chartered credit union is a non-profit, member-owned cooperative financial institution of people who share a common bond, incorporated for the purpose(s) of encouraging thrift among its members, creating a source of credit at a reasonable rate and providing an opportunity for its members to improve their economic and social conditions.

A state chartered credit union is regulated by the Department of Financial and Professional Regulation, Division of Financial Institutions, Credit Union Section (IDFPR) in accordance with provisions and requirements of the Illinois Credit Union Act and Rules and Regulations as promulgated by the Director of the Division of Financial Institutions. The Illinois Credit Union Act gives the necessary powers to assure the safety and soundness of credit unions' and members' monies. IDFPR examines and supervises all chartered Illinois credit unions to assure the safety and soundness of the financial institutions.

Steps to Chartering Your Own Credit Union:

A credit union is a group of people who share a common bond such as working together, living in the same neighborhood, belonging to the same church, union, or similar organization, who....

- Desire to own and operate their own financial institution.
- Agree to pool their savings and use the deposits to make loans to fellow members and buy government securities or other approved investments.
- Share mutually in the net income, via dividends, after deducting operating expenses and required reserves.

A Board of Directors is elected annually by the credit union members. Share balances are fully insured. Operating policies and procedures are determined by the Board of Directors but implemented by credit union employees and management and can include almost any kind of consumer financial services.

Is a Credit Union Right for You?

- Credit unions are owned by their members. They are created to meet the members' financial needs. *Over 2 millions Illinois citizens belong to credit unions.*
- Credit unions create a source of credit at reasonable rates and provide an opportunity for members to improve their economic and social conditions. *Since inception of the credit union regulation in 1925, over 1,000 credit union charters have been granted in Illinois.*
- Credit unions help members save. Most sponsoring organizations provide payroll deductions where deposits and loan payments are made automatically during each payroll period, at the member's request. *Over 80% of credit union savings are in occupational (common employer) credit unions.*
- Credit unions are nonprofit corporations. Earnings after expenses are returned to the members as dividends. Regulations do not limit the dividend rates paid to members.
- Credit unions provide loans at low rates. *The average yield on credit union loans are generally lower than other financial institutions.*

Take Action

- Inform IDFPR of your interest.
- Meet with individuals from your group and sponsoring organization to determine if a credit union will meet your needs.
- Obtain chartering forms and other legal documents required to make an application.
- Identify and contact other organizations for advice and assistance, including trade associations and nearby credit unions.
- Hold an organizational meeting to review the operating policies and projected budgets to ensure that the proposed credit union is economically viable.
- Upon satisfactory completion of state requirements, the Director will issue a charter authorizing your group to operate its own financial institution.

Pursuant to Section 305/58 of the Illinois Credit Union Act, each credit union operating in Illinois must insure its members' share accounts with:

National Credit Union Administration (NCUA)
1203 W. Washington Street, Suite 301
Tempe, AZ 85281
www.NCUA.gov

or with the private insurer authorized to do business in Illinois:

American Share Insurance (ASI)
5656 Frantz Road
Dublin, Ohio 43017
<http://www.americanshare.com/index.php>

The organization of a state chartered credit union requires extensive planning and an intent to devote the necessary time and effort to make the credit union a viable institution.

If you are interested in organizing a credit union, please complete and return the following items:

1. "Articles of Incorporation " form - which can be found on our webpage under "Registration of Out of State Credit Unions or Chartering a New Credit Union" or at the following link: [Articles of Incorporation for a New Charter.pdf](#)
2. The processing fee of \$250.00 payable to the Department of Financial & Professional Regulation
3. Resumes of all proposed members of the Board of Directors
4. A detailed Business Plan and Feasibility Study that includes growth projections of membership shares, loans, assets, capital, a budget and financial statements
5. Proposed lending, collection and investment policies
6. Physical facility of proposed office and staffing of the credit union
7. Goals of proposed dividend rates that will be paid on members' share accounts
8. Evidence of a commitment for share insurance from one of the two share insurers previously listed

After all required documentation has been submitted, the Department will notify you in writing once the review process is completed and a decision is rendered or if additional information or documentation is required.

If you have any questions or require additional information, please contact the Credit Union Section at FPR.CreditUnion@Illinois.gov or (217) 782-2834.