Illinois Department of Financial and Professional Regulation

Division of Financial Institutions

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September 24, 2020

TEMPORARY CHANGES TO EARNING-RETENTION REQUIREMENTS

On June 5, 2020, the National Credit Union Administration ("NCUA") issued a temporary order decreasing the earning-retention requirements for federally chartered credit unions. Pursuant to 205 ILCS 305/65, the Department is making a temporary change to its reserve requirements consistent with the NCUA action.

The Illinois Credit Union Act, 205 ILCS 305/60(B) ("the Act") permits the Secretary to "decrease the reserve requirement . . . of this Section when in his or her opinion such a decrease is necessary or desirable."

Pursuant to 38 Ill. Adm. Code 190.60(f), a credit union is exempt from the reserve requirement of Section 60(A) of the Act if: (1) the credit union's net worth to asset ratio is 7% or greater; or (2) if the credit union's net worth to asset ratio at the end of a calendar quarter is less than 7%, the credit union transfers an amount equal to 0.1% of the credit union's assets from undivided earnings to regular reserve at the end of the next calendar quarter and quarterly thereafter until the net worth to assets ratio is equal to or greater than 7%.

Effective immediately, Illinois state-chartered credit unions with a net worth to asset ratio of greater than 6% are not required to make the earnings retention transfer of 0.1% from undivided earnings to regular reserve at the end of the next quarter. This temporary rule expires on December 31, 2020.

This temporary relief extends federal chartered credit union benefits and privileges to state-chartered credit unions in Illinois. This temporary relief also represents a determination by the Department that a decrease in the earnings retention requirement is necessary and desirable to avoid a reduction of shares and to retain system liquidity in the wake of the COVID-19 pandemic.

Notwithstanding the NCUA temporary order and the above, the Department expressly reserves the right to require a specific state-chartered credit union to make transfers from undivided earnings to regular reserve if the Department determines that a state-chartered credit union exhibits material safety and soundness concerns.

This temporary measure will remain in effect until December 31, 2020 and covers only any decrease in earnings retention requirements that an Illinois state-chartered with asset ratio of greater than 6% would otherwise have been required to submit prior to the September, and December 2020 quarter ends.

DATED THIS 24 DAY OF SEPTEMBER 2020

ILLINOIS DEPARTMENT OF FINANCIAL & PROFESSIONAL REGULATION
DEBORAH HAGAN, SECRETARY

By: Deborah Hagan