



Contact: William Wille, (630) 983-3216; will.wille@ilcusys.org

For Immediate Release

Illinois credit unions celebrate governor's approval of regulatory fee case settlement!

Naperville, IL., April 9, 2009 – Illinois chartered credit unions will be receiving cash credits in the aggregate amount of approximately \$6.2 million following resolution of a protracted lawsuit against the State of Illinois filed by the Illinois Credit Union League (ICUL) and other associations representing Illinois financial institutions.

The payment flows from a settlement agreement reached by the parties last year that was implemented through the passage of legislation (S.B. 2513) in the final hours of the 95th Illinois General Assembly. The legislation was approved by Governor Patrick Quinn on April 6, 2009.

Under the terms of the agreement, credit unions will also receive a reduction in their regulatory fee paid to the State going forward, in the aggregate amount of approximately \$650,000 per year. In addition, as part of the deal, the State of Illinois will receive approximately \$50 million, which is earmarked for unpaid Medicaid and related medical assistance vouchers that will also be matched by federal funds.

The lawsuit stemmed from a regulatory fee escalation and transfer (“sweep”) budgetary arrangement adopted by the State in fiscal years 2004, 2005 and 2006. Under that arrangement, regulatory fees paid by Illinois-chartered credit unions (as well as banks, savings banks and savings and loan associations), were escalated far above the actual budgetary cost of operating their respective regulatory agencies. With accompanying amendments to the State Finance Act, surplus monies collected were then transferred to the General Revenue Fund.

As a result of this plan developed by the previous (Blagojevich) Administration, ICUL and its co-plaintiffs argued a breach of a pre-existing and well-balanced statutory framework under the Illinois Credit Union Act and Illinois Banking Act was committed. Under those Acts, regulatory fees paid by Illinois financial institutions are to be used solely for the regulatory supervision of those financial institutions. The co-plaintiffs asserted the sweep arrangement permitted the Administration to use those funds in a legally impermissible and operationally unacceptable way to finance budgetary needs unrelated to the cost of that supervision.

“The objective of the litigation was to prevent further ‘sweeps’ from the Credit Union Fund and other financial institution dedicated funds and roll-back regulatory fees to the levels in place prior to the fee escalation/sweep arrangement,” said Stephen Olson, ICUL executive vice president and general counsel. “The credit unions and their co-plaintiffs saw the sweep arrangement as tantamount to an indirect tax scheme.”

About three months after originally filing suit in December 2004, which was preceded by several months of unsuccessful attempts to resolve the matter amicably with the Blagojevich Administration, ICUL and its co-plaintiffs were granted a motion by the Sangamon County Circuit Court, for the issuance of a preliminary injunction against the State to prohibit further sweeps while the case was being prosecuted. The injunction restricted transfers from the dedicated funds to ordinary and contingent expenses of regulatory supervision.

As a result of the preliminary injunction, the balances in the Credit Union Fund and other financial institution dedicated funds grew substantially, in light of the escalated regulatory fees that were still being collected. The growing balances in the funds, coupled with the State’s continuing fiscal issues, motivated the State to pursue a settlement option with the League and its co-plaintiffs. As a result, settlement negotiations between the parties that began in earnest during 2007 culminated in a tentative resolution of all issues in March, 2008.

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On May 15, 2008, the Sangamon County Circuit Court entered an Order approving the settlement agreement reached by the parties. The Order provided that the Court would retain jurisdiction for the purpose of enforcing the provisions of the agreement.

The settlement approved by the Court was contingent upon passage of legislation to implement the regulatory fee rate reductions agreed upon by the parties. As part of the settlement, the parties also agreed on the proposed legislation. S.B. 2513 was the measure that was introduced to implement the settlement.

Attempts to pass the legislation began in earnest during the 2008 spring session of the General Assembly. The bill passed the Senate on a vote of 58-0 on April 16, 2008. With an amendment to establish the Medicaid earmark, the House approved the bill with a vote of 109-0-4 late in the evening on May 31, 2008, the last day of the spring session. However, the bill failed to move any further at that time, as the Senate had adjourned earlier in the evening and was not able to take the necessary concurrence action on the measure as amended in the House.

After no action on S.B. 2513 during the 2008 fall veto session, Rep. Joseph Lyons (D-19, Chicago; Assistant Majority Leader) advised ICUL that the measure might be acted upon during the last days of the 95th General Assembly in January 2009.

Those session days then became the final opportunity to pass the bill and implement the settlement at the present time. Otherwise, ICUL and its coalition of co-plaintiffs and their respective member financial institutions would have been faced with starting the bill introduction and passage process all over again with the new General Assembly. In the final waning days and hours, the bill was in fact approved, with a further amendment addressing pre-foreclosure counseling provisions that ICUL and its co-plaintiffs had negotiated with Senator Jacqueline Collins (D-16, Chicago) in the fall session. It cleared the House on a 113-0 vote on January 12, 2009, and the Senate on a 56-0 vote on January 13, 2009, the last day of the 95th General Assembly. The bill was then sent to the Governor on February 11, 2009 and concluded its journey with his signature on April 6, 2009.

Members of the 95th Illinois General Assembly were unwavering in their support of the legislation. Those individuals included chief bill sponsors, Senator Terry Link (D-30, Lake Bluff; Majority Caucus Whip), and Representative Lyons.

"The structure of the settlement required passage of S.B. 2513, in order to implement the reduction in regulatory fees going forward," said Olson. "The League and credit unions throughout the state say 'thank you' to Senator Terry Link and Representative Joseph Lyons, the chief sponsors of the measure, as well as all the members of the Illinois General Assembly, for their persistence in supporting this initiative."

"This has been a long journey, but in the end, we are very pleased to have settled this issue for the benefit of our member credit unions," said Dan Plauda, ICUL president/chief executive officer. "The credits paid to credit unions couldn't come at a better time in light of current economic conditions and the reduced regulatory fee to be paid in 2009 and ensuing years will generate significant savings for credit unions."

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Note: The Illinois Credit Union League (ICUL) is the primary trade association for credit unions in Illinois, which provides members with information, legislation and education. Membership is open to any credit union operating in accordance with the Illinois Credit Union Act or the Federal Credit Union Act. There are 423 credit unions in Illinois with more than 2.7 million members.