

1997
ANNUAL REPORT
ILLINOIS DEPARTMENT OF
FINANCIAL INSTITUTIONS

OUR MISSION

The mission of the Illinois Department of Financial Institutions is to administer and enforce the laws and regulations pertaining to those financial institutions under its jurisdiction; to protect the interests of the people of this State in their dealings with those industries regulated by this agency; and to provide effective and efficient processing and custodial management of the unclaimed assets of the citizens of the State of Illinois.

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TO THE GOVERNOR

To The Honorable Jim Edgar, Governor
The Honorable Members of the 91st General Assembly and
The Citizens of the State of Illinois,

As the Director of the Illinois Department Financial Institutions (DFI), it is my pleasure to present the Department's annual report for FY97, which outlines many of our accomplishments.

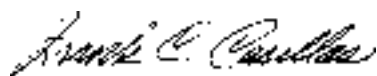
Created in 1957, DFI is a regulatory agency serving the citizens of Illinois under the express control and administrative jurisdiction of the Governor. The Financial Institutions Code provides the authority to regulate, license, examine and investigate currency exchanges, credit unions, consumer finance and title insurance companies and money transmitters among others.

By statute, the Department is responsible for the collection of Illinois' unclaimed property. Under the authority of the Unclaimed Property Act, the State collects all property abandoned by its owners for a minimum of five years. As a custodial state, Illinois holds the funds in perpetuity pending a claim from the rightful owner or heir.

In FY97 the Unclaimed Property Division collected over \$97 million in unclaimed assets that were deposited with the State Treasurer. The Division also processed 28,442 claims and returned in excess of \$34 million to Illinois citizens and reciprocal states. The Asset Management Division, established in FY93, contributed to the total assets by generating over \$21 million from the sale of intangible assets.

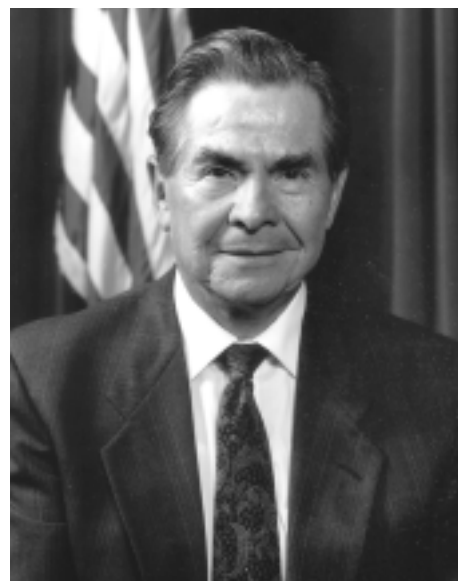
In closing, the Department has had an excellent year, with results that could only have been achieved through the hard work of our excellent staff. I am proud of our accomplishments and look forward to an equally productive fiscal year 1998.

Yours truly,



Frank C. Casillas

Director



EXECUTIVE MANAGEMENT

Frank C. Casillas

Director

Halina L. Bielowicz

Assistant Director

Jose C. Gomez

Deputy Director

J. William DeMarco

Deputy Director

ADMINISTRATION

Craig Cellini

Legislative Liaison

Linda Finney

Human Resources Administrator

Ronald Handlin

Chief Fiscal Officer

John Holowinski

Program Policy Advisor

M. Rose Kelly

Chief Legal Counsel

Ronald Letterly

Information Systems Manager

Christina Neely

Chief Internal Auditor

CREDIT UNION

Sarah Vega

Supervisor

Bruce Garrett

Assistant Supervisor

Patrick Smith

Assistant Supervisor

CURRENCY EXCHANGE

Michael Goldman

Supervisor

Kathleen Mallow

Assistant Supervisor

ASSET MANAGEMENT

Thomas Corcoran

Supervisor

Denis Campbell

Section Manager

Larry Driver

Section Manager

UNCLAIMED PROPERTY

Mitchell Murdock

Supervisor

Colleen Connor

Assistant Supervisor

CONSUMER CREDIT

Andrew Madonia

Supervisor

Carl LaSusa

Assistant Supervisor

Gary Hepburn

Senior Financial Analyst

THE DEPARTMENT

The Illinois Department of Financial Institutions (DFI) was created in 1957 as a regulatory agency of the State. Its enabling legislation, the Financial Institutions Code, provides the statutory authority to regulate, license, examine and investigate: currency exchanges, credit unions, consumer finance and title insurance companies and money transmitters.

The Uniform Disposition of Unclaimed Property Act is also within the Department's jurisdiction. This Act authorizes the Department to collect abandoned and unclaimed financial assets remitted to the State of Illinois which attempts to locate the owners and return the assets to them. The State of Illinois acts as custodian of the unclaimed funds, ensuring their safekeeping until the owner or heir can be found. The Department also administers the Transmitters of Money Act, Safe Deposit Box Act, Consumer Installment Loan Act, Development Credit Corporation Act, Currency Exchange Act, Credit Union Act, Title Insurance Act, Financial Planning and Management Services Act and the Consumer Credit Counseling Corporation Act.

The laws for which the Department has responsibilities govern a variety of diverse industries in Illinois. The activities undertaken by the Department in FY97 directly affect the individuals and businesses that the Department licenses and indirectly affect every citizen who utilizes its services.

Management and control of the Department are vested in the Director who is appointed by the Governor and confirmed by the Illinois Senate. The Department has five divisions: Asset Management, Consumer Credit, Credit Union, Currency Exchange, Unclaimed Property and one managerial division, Administration.

ADMINISTRATIVE SERVICES

The following positions and offices serve in an advisory capacity to the Director and also as professional support staff for the Department's five divisions.

CHIEF INTERNAL AUDITOR

The Chief Internal Auditor is responsible for an independent review of the Department's activities as required by the Fiscal Control and Internal Auditing Act. In addition to the audits required by the statutes, the Chief Internal Auditor works with the members of management to enhance controls and maximize the economic and efficient use of resources. The Chief Internal Auditor serves as a liaison to the Office of the Auditor General and monitors corrective actions that management has made in response to internal and external audits.

CHIEF LEGAL COUNSEL

The Chief Legal Counsel is the Department's legal advisor. With a staff of two Deputy Counsels, the Chief Legal Counsel provides legal advice to the Director and the Department.

Duties include representing the Department in all administrative proceedings, negotiating with licensees and applicants, assists in the drafting, review and implementation of proposed legislation and the Department's rules and regulations.

The Counsel also works closely with the Illinois Attorney General's office and oversees all of the Department's litigation.

CHIEF FISCAL OFFICER

The Department's budget is prepared and administered by the Chief Fiscal Operations Unit under the direction of the Chief Fiscal Officer. In addition to budget preparation and administration, the unit is responsible for all compliance reporting under the Comptroller Uniform Statewide Accounting System, development and implementation of spending plans, procurement operations, vehicle operations, obligations and vouchers, maintenance of property, depositing in excess of \$112 million in receipts, telecommunications and the purchase and delivery of supplies. The Fiscal Unit is also the coordinating unit between the Department and the Office of the Comptroller, the State Treasurer, the Office of the Auditor General, the General Assembly and the Bureau of the Budget.

HUMAN RESOURCES ADMINISTRATOR

The Human Resources Office administers the human resources program for the Department. The Human Resources Office provides information, advice and direction to the Department's staff to ensure compliance with accepted human resources practices. The Office also directs and administers a comprehensive personnel/payroll and benefits program including: recruitment, selection, classification and labor relations. In addition, the office ensures compliance with internal and external policies, the Illinois Personnel Code, rules, pay plan and collective bargaining agreements.

LEGISLATIVE LIAISON

The Legislative Liaison coordinates the Department's legislative program and is the primary contact for legislative inquiries and constituent cases. The Liaison oversees the development and drafting of the legislative agenda concerning the regulation of financial institutions under the Department's jurisdiction, prepares the Department's positions on legislation introduced by industry and interest groups, monitors the progress of all legislation affecting the Department and generally promotes its interests and positions on all financial institution issues which are presented to the General Assembly.

MANAGEMENT INFORMATION SYSTEMS

The Management Information Systems provides information technology and data processing support for the agency. The policy and procedures established conform to the standards set by the Department of Central Management Services, Bureau of Communication and Computer Services.

Management Information Systems staff develops an Information Technology Plan to meet the long and short term informational needs of the agency. The plan ensures that information systems are consistent with organizational needs and establish compatible hardware and software platforms. It is responsible for maintaining the integrity of all data processing resources for the agency which includes security and recovery procedures and procurement of all hardware and software related to data processing.

PROGRAM POLICY ADVISOR

The Program Policy Advisor coordinates all statewide agency program activities. In this capacity, the Program Policy Advisor formulates and recommends policies and procedures to improve both Departmental operations and services to the public. The Program Policy Advisor also works with other State agencies in coordinating inter-departmental projects that enhance the effectiveness of the agency services.

PUBLIC INFORMATION OFFICER

The Public Information Officer is the official spokesperson for the Department, responding to all media inquiries regarding programs, policies and procedures. The officer is responsible for press statements and news releases, produces the annual report, a quarterly newsletter and a variety of brochures and booklets. To further inform the public, the Department's information booth is exhibited at national conferences, annual community events, trade shows, in the James R. Thompson Center and at the Illinois State Fairs in Springfield and DuQuoin.

LEGISLATIVE HIGHLIGHTS

The Legislature passed several bills signed into law by Governor Edgar during the 1997 Legislative session that affected or were initiated by the Department of Financial Institutions:

HOUSE BILL 586 (MCAULIFFE/MADIGAN)

HB 586 amended the Illinois Banking Act, the Illinois Savings and Loan Act, the Illinois Credit Union Act, the Corporate Fiduciary Act, and the Illinois Insurance Code to authorize financial institutions to sell insurance to consumers. Under this law, financial institutions that operate under those Acts will be subject to all of the laws that apply to insurance agencies when they sell insurance in Illinois.

(Public Act 90-41; effective October 1, 1997)

HOUSE BILL 2210 (DEUCHLER/O'MALLEY)

HB 2210 amended the Uniform Disposition of Unclaimed Property Act by removing an exemption in the Act refers for an "active express trust". It also removes similar exemptions for paying agents and trustees. The bill also removes references limiting the applicability of the Act to activity in this state. This legislation was the result of an agreement between DFI and the Corporate Fiduciaries Association of America.

(Public Act 90-167; effective July 23, 1997)

HOUSE BILL 271 (BUGIELSKI/O'MALLEY)

HB, 271 amended the Electronic Funds Transfer Act to provide that no person operating a terminal shall impose a surcharge unless it is disclosed to the consumer. It also provides for inclusion of a number or code to identify the consumer on a receipt given at a terminal. The legislation also allows persons other than financial institutions to own a cash dispensing terminal at which an interchange transaction may be performed, as long as the terminal does not accept deposits of funds to an account, and to file certain financial and other information with the Commissioner of Banks and Real Estate.

(Public Act 90-189; effective January 1, 1998)

SENATE BILL 538 (T. WALSH/LANG)

SB 538 amended the Credit Union Act to provide that extensions of credit made by credit unions other than those secured by residential real estate, need only comply with the Illinois Credit Union Act. It also provides that an advance under a line of credit constitutes a loan.

(Public Act 90-222; effective July 25, 1997)

SENATE BILL 591 (BUTLER/BIGGERT)

SB 591 amended the Title Insurance Act to provide that it is an exclusive power of the State to exercise any power or function set forth in the Act. It also provides that fees, charges, and taxes provided in the Act shall be in lieu of license fees or privilege or occupation taxes or other fees levied or addressed by a municipality, county, or other political subdivision.

(Public Act 90-317; effective August 1, 1997)

HOUSE BILL 2211 (HSSERT/O'MALLEY)

HB 2211 was a comprehensive rewrite of the Consumer Installment Loan Act (CILA) and the Sales Finance Agency Act. In addition to those Acts, this legislation also amended the Retail Installment Sales Act (RISA), the Motor Vehicle Retail Instalment Sales Act (MVRISA), and the Interest Act. This major legislation was the result of over two years of work by the Department and representatives from the industry.

(Public Act 90-437; effective January 1, 1998)

SENATE BILL 805(O'MALLEY/BIGGINS)

SB 805 created the Debt Management Services Act to apply to the business of planning and managing the financial affairs of a debtor. The bill also makes a minor addition to the Currency Exchange Act to include limited liability companies in the Act. The bill was an initiative of the Department.

(Public Act 90-545; effective January 1, 1998).

FISCAL OPERATIONS

SUMMARY BY FUND AND DIVISION

	Revenues	Expenditures	Excess Revenue Over Expenditure
FINANCIAL INSTITUTION FUND			
Administration	\$ 0	\$ 192,668	\$ (192,668)
Consumer Credit	2,401,748	1,218,998	1,182,750
Currency Exchange	480,286	832,451	(352,165)
TOTAL	\$ 2,882,034	\$ 2,244,117	\$ 637,917
STATE PENSION FUND			
Administration	\$ 0	\$ 1,146,237	\$ (1,146,237)
Unclaimed Property	\$ 63,034,965	4,107,744	58,927,221
MIS	0	1,972,640	(1,972,640)
TOTAL	\$ 63,034,965	\$ 7,226,621	\$ 55,808,344
CREDIT UNION FUND			
Credit Union	\$ 2,500,647	\$ 2,489,172	\$ 11,475
TOTAL	\$ 2,500,647	\$ 2,489,172	\$ 11,475
UNCLAIMED PROPERTY TRUST FUND			
	\$ 34,318,738	\$ 33,640,802	\$ 677,936
DEPARTMENT TOTAL	\$ 102,736,384	\$ 45,600,712	\$ 57,135,672

EXPENDITURE SUMMARY BY DIVISION AND CATEGORY

	Administrative	Consumer Credit	Currency Exchange	Unclaimed Property	Credit Union	MIS	TOTALS
Personal Service	\$ 649,583	\$ 882,342	\$ 616,007	\$ 1,944,007	\$ 1,700,647	\$ 392,199	\$ 6,184,785
Retirement	32,303	43,864	30,609	97,395	84,610	19,479	308,260
State Paid Retirement	176,272	0	0	0	66,510	0	242,782
Social Security	41,950	65,446	45,152	144,526	127,634	24,423	449,131
Group Insurance	68,549	94,237	59,283	232,933	189,564	41,178	685,744
Contractual	227,765	12,561	3,924	1,557,050	92,294	460,823	2,354,417
Travel	31,634	75,888	23,962	82,460	197,536	5,983	417,463
Commodities	4,878	3,654	2,023	15,164	6,246	16,646	48,611
Printing	4,051	529	102	18,596	1,964	0	25,242
Equipment	5,295	1,142	2,425	15,594	1,111	12,416	37,983
MIS	0	36,460	48,664	0	0	956,361	1,041,485
Telecommunications	96,625	0	0	0	19,996	43,132	159,753
Operation Auto	0	0	0	19	0	0	19
Refunds	0	2,875	300	0	1,060	0	4,235
TOTAL	\$ 1,338,905	\$ 1,218,998	\$ 832,451	\$ 4,107,744	\$ 2,489,172	\$ 1,972,640	\$ 11,959,910

EXPENDITURE SUMMARY BY FUND AND CATEGORY

FINANCIAL INSTITUTIONS FUND

Expenditure Category	Appropriations	Expenditures
Personal Service	\$ 1,595,300	\$ 1,559,777
Retirement	79,600	77,524
State Paid Retirement	62,700	62,289
Social Security	116,400	111,005
Group Insurance	170,600	158,097
Contractual	74,300	37,979
Travel	118,300	114,227
Commodities	8,200	7,844
Printing	8,500	1,370
Equipment	7,500	5,420
MIS	100,000	85,124
Telecommunications	20,300	20,286
Operation Auto	100	0
Refunds	4,300	\$ 3,175
TOTAL	\$ 2,366,100	\$ 2,244,117

STATE PENSION FUND

Expenditure Category	Appropriations	Expenditures
Personal Service	\$ 3,081,100	\$ 2,924,361
Retirement	154,200	146,126
State Paid Retirement	120,000	113,983
Social Security	232,800	210,492
Group Insurance	421,300	338,083
Contractual	3,165,000	2,224,144
Travel	139,300	105,700
Commodities	37,500	34,521
Printing	33,300	21,908
Equipment	45,000	31,452
MIS	1,100,000	956,361
Telecommunications	122,200	119,471
Operation Auto	3,200	19
Refunds	0	0
TOTAL	\$ 8,654,900	\$ 7,226,621

CREDIT UNION FUND

Expenditure Category	Appropriations	Expenses
Personal Service	\$ 1,879,900	\$ 1,700,647
Retirement	94,000	84,610
State Paid Insurance	75,200	66,510
Social Security	136,600	127,634
Group Insurance	240,700	189,564
Contractual	93,700	92,294
Travel	198,000	197,536
Commodities	7,000	6,246
Printing	2,300	1,964
Equipment	5,000	1,111
MIS	0	0
Telecommunications	20,000	19,996
Operations Auto	0	0
Refunds	1,200	\$ 1,060
TOTAL	\$ 2,753,600	\$ 2,489,172

**ASSET
MANAGEMENT
DIVISION**

BACKGROUND

The Asset Management Division was created as a result of an inter-agency reorganization initiative in state fiscal year 1993. The Division immediately became responsible for the appropriate processing of tangible and intangible assets after holder remittance reports were balanced by the Unclaimed Property Division, with the Department's Fiscal Office, under the authority of the Uniformed Disposition of Unclaimed Property Act (765 ILLS 1025/1 et seq.).

The basis for the above initiative, was the need to establish internal controls, not only required for audit purposes, but, for the balancing and safekeeping of all the remitted assets (intangible and tangible) as a result of the change in the dormancy period. An early assessment of the effect, that this change would have on the operations, would be the substantial growth in both the quantity and different types of assets being remitted to the custody of the State, as well as the number of subsequent transactions. Ancillary to the control and growth concerns was the need for improved management reporting, utilizing a more cost efficient system designed to meet the custodial needs of the citizens of the State of Illinois.

OPERATIONS

The funds generated from the above activities are deposited in the State Treasury for the benefit of all citizens of Illinois and are held in perpetuity for the rightful owners for whenever they make a claim, and is approved for payment.

The Asset Management Division is responsible for the liquidation or recertification/transfer for reissuance of all intangible assets to an approved claimant under the Disposition of Unclaimed Property Act.

To meet its fiduciary responsibilities and to ensure complete disclosure, the Asset Management Division is separated into two sections: the Safe Deposit Box Section and the Securities Section. The function of each Section is as follows:

The **Safe Deposit Box Section** is accountable for the inventorying, safekeeping and eventual disposal of all tangible assets remitted to the Department from dormant safe deposit boxes.

Those items of monetary value, including currency with numismatic value, which are not claimed are sold at an auction.

The **Securities Section** is accountable for the receipt of all stocks, bonds, mutual funds and other securities remitted to the Department as abandoned property. Until the securities are either reissued to an approved claimant or sold by the Department, the Securities Section manages all transactions involving those securities including, but not limited to: calls, splits, mergers, tenders, name changes, deliveries and exchanges.

SAFE DEPOSIT SECTION

During the first five years of the Division's existence, this Section experienced a wide fluctuation in the number of safe deposit boxes inventoried and the total receipts generated for each cycle, as evidence by the following figures.

Cycle	Boxes Inventoried	Revenue	Average Revenue Per Box
SFY 1997(1)	1,974	\$ 227,826	\$ 115
SFY 1996	3,201	245,700	77
SFY 1995	4,125	245,806	60
SFY 1994	6,450	414,505	64
SFY 1993(2)	4,289	355,552	83
TOTALS	20,039	\$ 1,489,389	\$ 80

In reviewing the data for the above reporting cycles (State Fiscal Years) there does not appear to be any correlation between the number of boxes inventoried and monies generated during a reporting cycle, just as there is no empirical standard to apply to the safe deposit box lessee's decision to place contents in safekeeping.

(1) Inventory of contents was interrupted during construction of the vault for storage.

(2) Change in dormancy requirement from seven to five years.

SECURITIES SECTION

The five-year period, being tracked for comparative purposes in this Annual Report, was accompanied by a remarkable rise in the Dow Jones Industrial Average, an increase of 132% between the beginning of State Fiscal Year 1993 and the close of State Fiscal Year 1997, see Schedule One (Dow Jones Industrial Averages).

This dramatic and unprecedented rise in the Dow was coincident to more significant increases in the following four areas of the Department's portfolio, for the same reporting period, see Schedule Two (Portfolio):

(1) a 863% increase in the number of stock based investments being tracked;

(2) a 2,451% increase in the number of shares held in the portfolio;

(3) a 329% increase in the amount of revenues generated; and,

(4) a 656% increase in the market value of the portfolio.

SCHEDULE ONE (DOW JONES INDUSTRIAL AVERAGES)

Cycle	Beginning	Midyear	End of the Year
SFY 1997	5657.61	6448.27	7672.79
SFY 1996	4556.10	5117.12	5657.61
SFY 1995	3624.96	3834.44	4556.10
SFY 1994	3516.08	3754.09	3624.96
SFY 1993	3393.78	3301.11	3516.08

SCHEDULE TWO (PORTFOLIO)

Cycle	Number of Securities	Number of Shares in Portfolio	Revenue	Market Value
SFY 1997	1,444	765,198	21,460,595	8,410,538
SFY 1996	952	662,901	20,527,821	16,088,879
SFY 1995	774	696,319	9,592,677	16,715,772
SFY 1994	400	166,000	7,600,043	4,110,139
SFY 1993	150	30,000	\$ 5,129,198	\$ 1,592,511
TOTAL	3,720	2,320,418	\$ 64,310,334	\$ 46,917,839

The above figures are unaudited and have been rounded to the nearest percentage and dollar amounts.

SUMMARY

During the past five years, the Division's activities have mirrored and reflected the investment and safekeeping strategies of the citizens of Illinois. We have seen a steady shift down in the number of safe deposit box operations in existence, as well as the number of dormant boxes being remitted. This downward trend of escheated tangible assets being remitted has been offset by an opposite pattern for escheated intangible assets being remitted.

What is responsible for the aforementioned shift? Several events stand out, the change in dormancy period from seven to five years, the market crash which occurred in October of 1987 coupled with the relatively low rate of inflation for the past ten years which made equity based investments attractive. It is anticipated that this pattern will continue and the Division will experience additional increases in the number of and value of intangible assets being remitted.

**CONSUMER
CREDIT
DIVISION**

THE YEAR'S HIGHLIGHTS

In conjunction with the Director's Task Force on the Consumer Installment Loan Act (CILA), the Division worked to achieve the first major legislative overhaul of Illinois' consumer lending laws in 15 years. The members of the CILA Task Force, each appointed by Director Casillas, included representation from various segments of the industry with a regulatory perspective provided by DFI executive staff. Their efforts resulted in proposed amendments to the Consumer Installment Loan Act, the Sales Finance Agency Act, the Motor Vehicle Retail Installment Sales Act and the Retail Installment Sales Act contained in House Bill 2211. The bill, which has January 1, 1998 as the effective date for the changes, overwhelmingly passed the General Assembly and proceeded to the Governor's desk for signature.

This year marked the first meeting of the Governor's Board of Financial Planning and Management Services Advisors held in over a decade. Appointed by Governor Edgar, the members of this Board worked with the Consumer Credit Division to review and update the two statutes regulating the consumer credit counseling industry, namely the Financial Planning and Management Services Act and the Consumer Credit Counseling Corporation Act. Several work sessions led to Senate Bill 805, a completed package that clarified the two existing laws into one Debt Management Services Act. Having passed both chambers of the General Assembly with an effective date of January 1, 1998, the bill was forwarded to the Governor.

BACKGROUND

The Consumer Credit Division administered ten Illinois statutes in FY97. The statutes are diverse, yet all impact the Illinois consumer in some way. To carry out its responsibilities, the Division licenses, examines and sanctions entities covered by the statutes.

The laws administered by this Division during FY97 were:

Consumer Credit Counseling Corporation Act, 805 ILCS 140
Consumer Installment Loan Act, 205 ILCS 670
Development Credit Corporation Act, 805 ILCS 35
Financial Planning and Management Service Act, 205 ILCS 665
Motor Vehicle Retail Installment Sales Act, 815 ILCS 375
Retail Installment Sales Act, 815 ILCS 405
Safety Deposit Box Act, 240 ILCS 5
Sales Finance Agency Act, 205 ILCS 660
Title Insurance Act, 215 ILCS 155
Transmitters Of Money Act, 205 ILCS 657

The Division, as of June 30, 1997, had issued the following licenses: 617 Consumer Installment Loan, 5 Financial Planning and Management Service, 28 Consumer Credit Counseling, 1 Development Credit Corporation, 6 Safe Deposit Box, 360 Sales Finance Agency, 23 Title Insurance along with their 3900 registered Title Insurance Agents and 35 Transmitters of Money.

OPERATIONS

The Division conducted 1,149 examinations for licensed entities to determine compliance with regulatory requirements set by statute and administrative rule. These examinations uncovered 3,532 exceptions to operating procedures. A majority of the exceptions were corrected by the licensee during the examination and the balance was resolved by supervisory action.

COMPLAINTS

The Division received 241 complaints from public and private organizations. The complaints were investigated and 54% resolved in favor of the consumer. These complaints, along with the examination exceptions, resulted in a return of \$98,108.46 to the affected consumers.

OTHER BUSINESS AUTHORIZATION

Licensees under the Consumer Installment Loan Act must obtain authorization to conduct other businesses on the premises of their loan offices. Prior to granting these other business authorizations, the Division staff investigates each request to ensure that these business activities would not conceal or facilitate evasion or violation of state statute.

Business authorizations have been issued covering the following activities: bank card programs, business loans, collection agency, credit card loans, income tax preparation, investment services, involuntary unemployment insurance, leasing, liability insurance, life, health and accident insurance, loans by mail, loans over \$10,000, mortgage banking, motor club membership, premium financing, prepaid legal services, money transmissions, sale of surrendered real estate, and thrift club membership.

DIVISION REVENUES AND EXPENDITURES (FISCAL)

The Consumer Credit Division is financially self-supporting in that the fees paid by licensees exceed the cost of operations.

REVENUE

Examination fees (1)	\$ 193,400
Licensing and Renewal fees (2)	677,227
Retaliatory fees (3)	1,460,239
Miscellaneous fees (4)	70,882
TOTAL REVENUE	\$ 2,401,748
TOTAL EXPENDITURES	\$ 1,218,998

(1) Examination fees consist of charges of \$100 or \$300 per examiner per day to conduct examinations of licensee's offices.

(2) Initial licensing and annual renewal fees.

(3) Retaliatory fees are imposed on foreign title insurance companies doing business in Illinois.

(4) Miscellaneous fees include application, investigation, name change, and relocation fees.

STATUTES

CONSUMER CREDIT COUNSELING CORPORATION ACT

The Consumer Credit Counseling Corporation Act authorizes not-for-profit corporations of the same name to offer specialized counseling services to over-indebted consumers and to handle monies as agents for individual debtors being counseled. In FY 89 this Act was amended to require that such corporations apply for registration with the Department of Financial Institutions and to permit the Director or Director's designee to examine their records for good cause. Twenty eight (28) Consumer Credit Counseling Corporations have been registered as of FY 97.

CONSUMER INSTALLMENT LOAN ACT

Provisions of the Illinois Consumer Installment Loan Act authorize the Consumer Credit Division to license and regulate the making of loans not exceeding \$10,000. Within this statute, the Director has the authority to grant Other Business Authorizations including, but not limited to, the making of loans in excess of \$10,000 and the making of loans for business purposes. All loans in excess of \$10,000 are regulated by the Department in accordance with the Illinois General Interest Act. Licensed lenders react to the changing lending environment by offering different services to meet consumer needs. As a result, the Department grants a myriad of Other Business Authorizations.

CONSUMER INSTALLMENT LOAN ACT

CONSOLIDATED STATEMENT OF INCOME AND EXPENSE

JANUARY, 1996 - DECEMBER 31, 1996

	Consumer Installment Loan	Other Business	Total
INCOME			
Charges Collected and/or Earned	\$ 197,724,850	\$ 387,691,091	\$ 585,415,941
OTHER INCOME			
a) Recording Fees	20,849	17,264	38,113
b) Interest on Bank Balances	207,052	99,521	306,573
c) Insurance Income	2,911,763	2,138,383	5,050,146
d) All Other Income	3,343,712	196,110,075	199,453,787
TOTAL OPERATING INCOME	\$ 204,208,226	\$ 586,056,334	\$ 790,264,560
EXPENSE			
Advertising	2,444,401	11,170,922	13,615,323
Auditing	322,113	383,265	705,378
BAD DEBTS			
a) Charge-offs	45,312,912	44,962,050	90,274,962
b) Deduct: Collections	(3,720,343)	(6,570,347)	(10,290,690)
c) Additions to Reserve for Bad Debts	14,962,026	39,084,346	54,046,372
Depreciation & Amortization	2,309,604	13,300,054	15,609,658
Insurance & Fidelity Bonds	1,609,397	1,970,891	3,580,288
Legal Fees & Disbursements	2,167,826	6,714,301	8,882,127
Postage, Printing, Stationary & Supplies	3,845,044	14,412,184	18,257,228
Rent, Janitorial Services & Utilities	5,928,140	14,383,667	20,311,807
Salaries of Officers, Owners & Partners	3,513,696	8,514,059	12,027,755
Salaries of All Other Employees	26,559,540	154,759,762	181,319,302
Taxes-Other Than on Income	2,105,740	3,169,014	5,274,754
License Fees	137,278	193,578	330,856
Telephone & Telegraph	1,744,236	9,332,317	11,076,553
Travel, Auto Expense & Allowance	1,002,625	8,100,533	9,103,158
Supervision & Administration (when not allocated to other items)	13,858,683	40,008,266	53,866,949
All Other Expenses	10,954,424	36,771,182	47,725,606
Interest Paid on Borrowed Funds	58,690,494	174,531,922	233,222,416
TOTAL EXPENSES BEFORE INCOME TAXES	\$ 193,747,836	\$ 575,191,966	\$ 768,939,802
INCOME BEFORE INCOME TAXES	10,460,390	10,864,368	21,324,758
LESS: INCOME TAXES			
State	2,280,784	4,316,926	6,597,710
Federal	3,218,821	6,616,541	9,835,362
NET INCOME	4,960,785	-69,099	4,891,686

CONSUMER INSTALLMENT LOAN ACT
CONSOLIDATED STATEMENT OF ASSETS
AS OF DECEMBER 31, 1996

	CILA	O.B.A. R/E Loans	Sales Finance	All Other Business	Total
Cash on Hand & in Banks					\$ 60,192,818
Short Term Investments					9,971,128
Receivables					
Gross Receivables	\$ 898,332,949	\$1,260,343,714	\$ 647,187,546	\$ 637,890,815	\$3,443,755,024
Less: Unearned Charges	198,738,696	19,641,626	126,510,393	12,917,394	357,808,109
Net Receivables	699,594,253	1,240,702,088	520,677,153	624,973,421	3,085,946,915
Less: Reserve for Bad Debts	25,414,243	28,674,377	25,837,901	2,467,303	82,393,824
Adjusted Net Receivables	674,180,010	1,212,027,711	494,839,252	622,506,118	3,003,553,091
Real Estate (Net of Depreciation	3,350,792	0	0	3,453,999	6,804,791
Furniture, Fixtures and Autos (Net of Depr.)	7,407,260	0	0	47,941,061	55,348,321
Other Useful in Business	17,469,847	0	0	33,786,369	51,256,216
TOTAL ASSETS	\$ 702,407,909	\$1,212,027,711	\$ 494,839,252	\$ 707,687,547	\$3,187,126,365

CONSUMER INSTALLMENT LOAN ACT

DISTRIBUTION OF LOANS BY SIZE AND TYPE OF SECURITY

JANUARY 1, 1996 - DECEMBER 31, 1996

	CILA		OTHER BUSINESS	
	Principal Number	Balance	Principal Number	Balance
DISTRIBUTION BY SIZE				
\$ 1,000 or less	223,518	\$ 88,805,692	268,936	\$ 141,283,098
\$ 1,001 to \$ 3,000	138,196	255,563,635	161,017	286,393,909
\$ 3,001 to \$ 5,000	52,523	190,828,028	25,939	101,915,372
\$ 5,001 to \$10,000	24,081	161,537,970	16,851	121,948,446
\$10,001 to \$25,000	0	0	24,222	366,907,934
\$25,001 end over	0	0	11,485	661,963,141
TOTAL LOANS MADE	438,318	\$ 696,735,325	508,450	\$ 1,680,411,900

DISTRIBUTION BY TYPE OF SECURITY

Based in Whole or Larger Part On:				
Household Goods	180,132	\$ 254,713,467	177,403	\$ 226,897,555
Motor Vehicle	35,815	121,035,698	38,813	204,951,266
Household Goods and Motor Vehicles	40,387	81,922,812	6,727	85,872,880
Other Chattels	11,734	26,786,860	104,845	157,551,983
Comaker Endorsed or Guaranteed	2,137	4,093,465	1,722	3,077,576
Wage Assignments	39,279	37,234,031	8,111	11,131,893
Unsecured	120,154	140,992,359	134,188	137,760,441
Real Estate	8,680	29,956,633	36,641	853,168,306
TOTAL LOANS MADE	438,318	\$ 696,735,325	508,450	\$ 1,680,411,900

CONSUMER INSTALLMENT LOAN ACT DELINQUENCY AND LEGAL ACTION SUMMARY JANUARY 1, 1996 - DECEMBER 31, 1996

	CILA		OTHER BUSINESS		
	Number of Accounts	Unpaid Principal Balance	Number of Accounts	Unpaid Principal Balance	
Accounts With No Payment Either of Principal or of Charges For:					
60-89 Days	9,916	\$ 18,534,906	8,405	\$ 35,985,273	
90 Days or More	16,173	32,057,851	13,803	65,37,369	
TOTAL	26,089	\$ 50,592,757	22,208	101,359,642	
Delinquency as a Percent of Gross Outstanding Loans		6%		4%	
Accounts on Which a Bankruptcy Notice was Received During the Year:					
Chapter Thirteen	4,628	\$ 11,771,809	3,201	\$ 17,725,394	
All Other Chapters	11,058	29,776,322	3,985	25,338,834	
TOTAL	15,686	\$ 41,548,131	7,186	\$ 43,064,228	
Number of Wage Assignments Filed:	12,731		25,329		
Suits for Recovery of Judgment:					
Pending at Beginning of Year	2,966	\$ 7,954,233	3,310	\$ 10,236,226	
Instituted During Year	5,035	9,858,953	4,265	12,836,309	
Settled Before Judgment	626	1,749,386	507	2,157,500	
Judgment Obtained	3,139	6,609,951	2,082	5,764,661	
Pending at Year End	3,819	9,259,980	3,957	11,009,462	
Real Estate Foreclosure	37	856,882	228	9,630,124	
Possession of Security Obtained by Licensee:					
Household Goods	196	\$ 431,404	365	\$ 3,102,571	
Motor Vehicle	18,536	6,611,931	4,681	31,823,281	
Other Chattels	72	240,524	86	703,945	
Real Estate	48	1,254,955	204	11,224,130	
TOTAL	18,852	\$ 8,538,814	5,336	\$ 46,853,927	
	Household Goods		Motor Vehicle	Other Chattels	Real Estate
Sales of Security by Licensees					
Number	266		5,440	143	188
Amount Due	\$ 458,219	\$ 35,397,733	\$ 489,108	\$ 9,967,824	
Amount Collected	\$ 98,717	\$ 12,007,426	\$ 158,029	\$ 5,859,319	

CONSUMER INSTALLMENT OTHER BUSINESS AUTHORIZED IN LICENSED OFFICES JANUARY 1, 1996 - DECEMBER 31, 1996

An ever increasing number and variety of financial services are being offered by Consumer Installment Loan licensees. These "other businesses" now account for an average of 73% of our licensees' total income. Categories of other businesses providing the greatest dollar volume are listed below.

SALES FINANCE

Number of contracts purchased	343,127
Dollar amount of contracts purchased	\$ 636,683,313
Gross Income	\$ 113,933,124
Losses charged off	\$ 48,483,334

CREDIT LIFE & DISABILITY INSURANCE

Premiums charged	\$ 148,037,383
Income to licensees	\$ 3,062,790

BUSINESS LOANS

Number of loans made	18,660
Total Loans Outstanding	\$ 12,300,359

DEVELOPMENT CREDIT CORPORATION ACT

This Act provides for the organization of corporations designed to make loans to small or medium-sized businesses which are unable to obtain financing through more conventional sources. They assist and encourage the development and advancement of business prosperity and economic welfare in the State, assist and encourage the expansion of existing industries and the location of new industries in this State, and provide for maximum employment opportunities.

FINANCIAL PLANNING AND MANAGEMENT SERVICE ACT

The Division licenses and regulates for-profit businesses engaged in managing financial affairs by receiving funds from individuals and distributing same to their creditors. Annual licensee examinations ensure adequate budgetary pre-planning for every client, proper contractual procedures, and accurate accounting of payments, deposits, and individual account balances. Each licensee maintains a surety bond in the sum of \$7,500 to assure faithful performance by the licensee of all obligations required under the Act.

MOTOR VEHICLE RETAIL INSTALLMENT SALES ACT

The Motor Vehicle Retail Installment Sales Act regulates the retail installment sale of motor vehicles. The Act requires the lender in the contract to provide certain notices, content and disclosures for the protection of the consumer. The Act includes various limitation, prohibition and enforcement provisions directed toward the operation of the lender's business. Its counterpart is the Retail Installment Sales Act.

RETAIL INSTALLMENT SALES ACT

The Retail Installment Sales Act regulates the retail installment sale of goods used primarily for personal, family, or household purposes, other than motor vehicles. This Act is similar to the Motor Vehicle Retail Installment Sales Act in its provisions for the protection of the consumer and operations of the lender's business. Between the two Acts, the consumer who purchases retail goods using retail installment credit is fully protected.

SAFETY DEPOSIT BOXES ACT

The Division licenses and regulates the business of keeping and letting safe keeping devices by businesses other than banks, savings and loan associations, and credit unions. Licensees are inspected annually for compliance with the provisions of the Act and specifically to ensure maintenance of proper records, procedures of entry and opening of boxes as well as annual testing of locks/alarm systems by a vault service company.

SALES FINANCE AGENCY ACT

As defined by the Illinois Sales Finance Agency Act, the regulation and licensing of the activity of “purchasing or making loans secured by retail installment contracts, retail charge agreements or the outstanding balances under such contracts or agreements” is protected. As of June 30, 1997, there were 360 licensees operating under this statute. These licensees are examined annually to ensure compliance with the Act and associated Rules.

TRANSMITTERS OF MONEY ACT

The Division is responsible for the licensing and regulation of 35 companies engaged in the business of selling or issuing payment instruments, transmitting money, or exchanging, for compensation, payment instruments or money of the United States government or a foreign government to or from money of another government or banking. This law does not apply to government agencies or certain financial institutions.

Companies licensed under the auspices of the Transmitters of Money Act must furnish a surety bond and satisfy equity requirements. Additionally, the licensee must provide our office yearly audited financial statements.

TITLE INSURANCE ACT

There are 23 title insurance companies that are certified by the Director to guarantee or insure titles to real estate in the State of Illinois. Due to the Title Insurance Act which became effective January 1, 1990, all title insurance agents must be registered with the Department. There are over 3,900 title insurance agents that issue title insurance policies for the certified title insurance companies.

Title insurance companies are examined annually by the Department to ensure acceptable management practices and to verify that there is no evidence of financial impairment. Title insurance agents may be examined by the Department only upon the showing of good cause and with the cooperation of the title insurance companies. In both cases, however, the expenses incurred in the course of these examinations and audits are the responsibility of the title insurance companies.

For the protection of the insured, each certified title insurance company must deposit with the Department of Financial Institutions \$50,000 in approved securities plus \$5,000 for each additional county in which the company operates, up to a maximum of \$500,000. If the company operates in a county of more than 500,000 inhabitants, the deposit is automatically the maximum amount of \$500,000.

Nineteen of the 23 title insurance companies certified to do business in the State of Illinois are domiciled in another state and are subject to the retaliatory provisions of the Title Insurance Act. As a result, the Department collected a total of \$1,481,764.21 in retaliatory fees from these companies for business transacted in the State of Illinois.

The Title Insurance Act also requires the certification of Independent Escrowees which are entities that receive deposits, in trust, of funds or documents, or both, for the purpose of effecting the sale, transfer, encumbrance or lease of real property to be held until title to the real property, which is the subject of the escrow, is in a prescribed condition. Currently, there are no companies certified in Illinois as Independent Escrowees.

The Title Insurance Act that became effective January 1, 1990, has brought modernized legislative enactment to the State of Illinois which has benefitted the consumers, lenders and the title insurance industry. The Act includes such regulations as: statutory premium reserve and known claims reserves; registration of title insurance agents; certification of independent escrowees; disclosure statements when a producer of title business has a financial interest; the ability to rely upon and enforce the prohibitions set forth in the Real Estate Settlement Producers Act (RESPA); plus many others.

The following is a comparative Consolidated Balance Sheet and Income Statement as prepared by the title insurance companies for the periods ending December 31, 1996 and December 31, 1995.

COMPARATIVE CONSOLIDATED BALANCE SHEET

ASSETS:	1996	1995
Bonds	\$ 1,708,412,621	\$ 1,617,468,983
Preferred Stock	94,233,165	90,960,922
Common Stock	812,555,716	815,016,873
Mortgage Loans on Real Estate	24,017,283	29,365,485
Real Estate Occupied by the Company	62,263,175	60,329,541
Other Properties	14,192,612	18,598,893
Collateral Loans	11,472,975	11,365,365
Cash on Hand and on Deposit	237,512,861	254,226,589
Short Term Investments	231,234,532	169,512,699
Title Plant	170,093,405	163,793,539
Title Insurance Premiums and Fees Available	95,740,395	98,492,523
Federal Income Tax Recoverable	12,742,330	17,594,409
EDP Equipment	49,311,801	28,090,247
Interest, Dividend & Real Estate Income Due & Accrued	27,491,588	28,385,449
Other Assets	22,341,853	38,043,026
Due from Parent, Affiliates, Subsidiaries	87,888,095	74,444,491
TOTAL ASSETS	\$ 3,661,504,407	\$ 3,515,689,034
LIABILITIES:		
Known Claims Reserve	\$ 220,896,123	\$ 258,602,238
Statutory Premium Reserve	1,361,948,282	1,306,685,272
Charges Due Attorneys, Agents, Real Estate Brokers	674,037	1,185,510
Other Expenses (Excluding Taxes, Licenses and Fees)	182,233,448	146,822,824
Taxes, Licenses and Fees	31,501,713	18,656,525
Federal Income Tax	21,276,728	8,491,223
Borrowed Money	2,874,522	2,330,237
Interest on Borrowed Money	666,280	165,442
Dividends Declared and Unpaid	2,493,000	5,000,000
Accounts and Notes Payable	35,798,711	3,395,973
Premiums and Other Compensation Received in Advance	10,103,431	11,649,073
Withheld or Retained for Accounts of Others	9,632,727	6,948,893
Other Liabilities	474,028,623	522,806,500
TOTAL LIABILITIES	\$ 2,354,027,625	\$ 2,292,739,710
SURPLUS AND OTHER FUNDS:		
Capital Paid Up	\$ 179,556,961	\$ 180,904,787
Gross Paid In and Contributed Surplus	433,281,173	383,672,216
Special Surplus Funds	11,204,406	501,406
Unassigned Funds (Surplus)	683,434,242	657,870,915
Treasury Stock- Shares Common	0	0
Treasury Stock- Shares Preferred	0	0
Surplus as Regards Policyholders	\$ 1,307,476,782	\$ 1,222,949,324
TOTAL LIABILITIES, SURPLUS & OTHER FUNDS	\$ 3,661,504,407	\$ 3,515,689,034

COMPARATIVE CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

	1996	1995
OPERATING INCOME:		
Title Insurance Premiums Earned	\$ 4,011,855,529	\$ 3,500,243,404
Escrow and Settlement Services	137,274,577	120,743,761
Other Title Fees and Service Charges	301,850,995	330,662,397
Other Operating Income	26,946,564	0
TOTAL OPERATING INCOME:	\$ 4,477,927,665	\$ 3,951,649,562
DEDUCT:		
Losses & Loss Adjustment Expenses Incurred	\$ 215,232,481	\$ 244,916,672
Operating Expenses Incurred	4,211,940,626	3,743,807,629
Other Operating Deductions	1,901,986	2,525,388
TOTAL OPERATING DEDUCTIONS	\$ 4,429,075,093	\$ 3,991,249,689
NET OPERATING GAIN (LOSS):	\$ 48,852,572	\$ (39,600,127)
INVESTMENT INCOME		
Net Investment Income Earned	\$ 216,791,303	\$ 205,643,287
Net Realized Capital Gains and (Losses)	31,537,043	17,213,077
Net Investment Gain or (Losses)	\$ 248,328,346	\$ 222,856,364
Miscellaneous Income or (Loss)	13,515,530	(48,734)
NET INCOME BEFORE FEDERAL INCOME TAXES	\$ 310,696,448	\$ 183,207,503
FEDERAL INCOME TAXES INCURRED	78,446,452	34,542,949
NET INCOME	\$ 232,249,996	\$ 148,664,554

DIRECT PREMIUMS WRITTEN IN ILLINOIS - CALENDAR YEAR 1996

COUNTY	AMOUNT	COUNTY	AMOUNT	COUNTY	AMOUNT
ADAMS	\$ 652,113	HARDIN	\$ 13,619	MORGAN	\$ 158,908
ALEXANDER	80,972	HENDERSON	502	MOULTRIE	24,023
BOND	75,368	HENRY	179,717	OGLE	238,154
BOONE	301,835	IROQUOIS	260,553	PEORIA	1,087,511
BROWN	8,774	JACKSON	270,608	PERRY	90,684
BUREAU	186,188	JASPER	2,614	PIATT	112,540
CALHOUN	8,358	JEFFERSON	194,654	PIKE	124,351
CARROLL	78,410	JERSEY	82,296	POPE	8,202
CASS	49,149	JODAVIESS	159,618	PULASKI	10,708
CHAMPAIGN	1,157,566	JOHNSON	39,006	PUTNAM	29,517
CHRISTIAN	87,936	KANE	4,237,544	RANDOLPH	84,817
CLARK	23,958	KANKAKEE	688,832	RICHLAND	36,511
CLAY	31,007	KENDALL	86,282	ROCK ISLAND	956,804
CLINTON	170,715	KNOX	239,356	ST. CLAIR	1,404,733
COLES	231,992	LAKE	6,881,979	SALINE	118,529
COOK	50,058,022	LASALLE	579,483	SANGAMON	882,522
CRAWFORD	164,256	LAWRENCE	57,461	SCHUYLER	18,505
CUMBERLAND	17,802	LEE	172,521	SCOTT	49,722
DEKALB	727,751	LIVINGSTON	235,358	SHELBY	72,392
DEWITT	119,108	LOGAN	154,166	STARK	23,568
DOUGLAS	117,408	MCDONOUGH	163,303	STEPHENSON	350,393
DUPAGE	9,793,786	MCHENRY	2,597,009	TAZEWELL	757,689
EDGAR	58,095	MCLEAN	1,144,035	UNION	74,272
EDWARDS	2,586	MACON	493,311	VERMILION	307,314
EFFINGHAM	229,381	MACOUPIN	299,808	WABASH	13,487
FAYETTE	93,307	MADISON	2,570,716	WARREN	116,101
FORD	97,043	MARION	279,786	WASHINGTON	109,676
FRANKLIN	122,802	MARSHALL	33,512	WAYNE	28,315
FULTON	83,831	MASON	271,576	WHITE	46,340
GALLATIN	28,939	MASSAC	40,851	WHITESIDE	296,018
GREENE	62,067	MENARD	81,142	WILL	4,668,244
GRUNDY	152,961	MERCER	85,125	WILLIAMSON	254,856
HAMILTON	15,677	MONROE	240,927	WINNEBAGO	1,402,326
HANCOCK	49,388	MONTGOMERY	206,774	WOODFORD	174,079

TOTAL DIRECT PREMIUMS WRITTEN IN ILLINOIS

\$102,314,406

**CREDIT
UNION
DIVISION**

1997 GOVERNOR'S BOARD OF CREDIT UNION ADVISORS

Robert W. Bream, Chairman of the Advisory Board
President, United Air Lines Employees Credit Union
Dennis Ahrens, Director Elgin City Employees Credit Union
Charles Rutan, President University of Illinois Employees Credit Union
Cheri Ann Taylor, Vice President Sangamon Schools Credit Union
Michael Fryzel, Attorney at Law
Bohdan Watral, Treasurer & Executive Director SelfReliance Ukrainian Federal Credit Union

BACKGROUND

Credit unions are an essential part of Illinois' financial service sector. Over two (2) billion members rely on our state's credit unions to provide them the loan, deposit and related services necessary to meet their personal needs and those of their families.

The Credit Union Division has the statutory responsibility for the administration of the Illinois Credit Union Act (the Act). The primary responsibilities delegated to the Division, by the Act, are the examination, supervision, regulation and chartering of state chartered credit unions. The Act (205 ILCS 305/1, et seq.) and all promulgated rules and regulations are to aid in the assurance of a safe and sound credit union industry in the State of Illinois.

REGULATION

In the area of regulation, the Department's primary duty is to administer the Illinois Credit Union Act and the rules and regulations.

The Illinois Credit Union Act delineates each item of responsibility for the Department and all laws under which state-chartered credit unions must operate. The Act provides information regarding examination responsibilities, fees, fines, cease and desist powers, suspension authority, mergers, liquidations, chartering and definitions.

The Act also outlines the general powers afforded to credit unions in the areas of: investment of funds, conflict of interest, compensation of directors, types of loans, interest rates, common bond membership expansions, types of deposits and general operations.

The rules and regulations are intended to clarify items contained in the Illinois Credit Union Act. The rules and regulations provide the procedures which must be followed by the Department and the individual credit unions under its supervision in carrying out the powers provided them pursuant to the Act.

SUPERVISION

Under this area of responsibility, the primary duty is to ensure that each credit union is examined on an annual basis and that the report of examination is reviewed, and followed up with a review comment letter emphasizing any items of supervisory concern.

The examination determines the financial stability of the credit union, the safety of members' funds and compliance with applicable state and federal laws, rules and regulations. In addition to the statutory examinations, the Department is also permitted to conduct special examinations of the credit unions under its jurisdiction to determine compliance with the Act or to investigate and resolve consumer complaints.

Ancillary duties include the collection of annual financial reports, oaths of credit union directors, internal supervisory committee reports and credit union responses to review comment letters.

OPERATIONS

As of June 30, 1997, the Credit Union Division was responsible for 501 Illinois state-chartered credit unions (down from 514 at June 30, 1996). The asset size ranges from \$7,710 to \$2,271,041,345. On a consolidated basis, total assets for all Illinois state-chartered credit unions were \$9,303,870,262 as of June 30, 1997, an increase of 1% from June 30, 1996.

EXAMINATIONS

In response to changes in the credit union industry, not only in Illinois but across the United States as a whole, overall examination and supervision of credit unions (federal or state chartered) has taken a much more aggressive posture. The Credit Union Division is committed to providing a strong and credible regulatory environment for all credit unions in Illinois.

In order to provide quality products and services in a more efficient and effective manner, a new Automated Integrated Regulatory Examination System (AIRES) was introduced by the National Credit Union Administration (NCUA) to both state (DFI) and federal (NCUA) examiners.

The AIRES program dramatically changed the way examiners spend their time collecting, analyzing, and reporting information. AIRES is a program developed to assist both state and federal examiners in performing their credit union examinations. AIRES utilizes advanced computer hardware and software tools, improving the way we use our resources and producing a high quality examination product. AIRES accomplishes these objectives by: minimizing routine clerical and administrative duties currently performed by examiners, providing electronic access to information from various resources and using modern computer-assisted auditing techniques to review and evaluate data. The Aires program also, improves communication with credit union officials and provides a flexible examination system that can adapt to the constantly changing credit union industry.

In keeping with the Division's goal to conduct annual statutory examinations of all state chartered credit unions, the following depicts the number of examinations completed by trained field examiners:

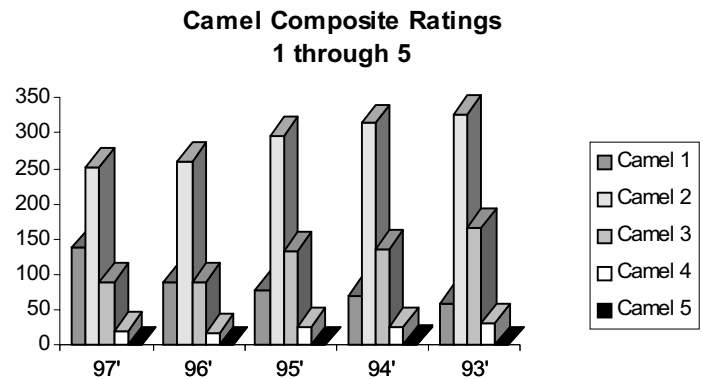
	FY97	FY96	FY95	FY94	FY93
DFI Annual Exams	477	523	557	586	524
DFI Special Exams	11	4	2	4	5

The AIRES program continues to use the core examination process which utilizes the CAMEL rating system, and evaluates five key areas of credit union operations: Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity. Each area is assigned a rating of 1 to 5, with 1 being the best and 5 being the most critically deficient. Upon completion of the individual component ratings, the examiner assigns a Composite Rating to the institution as a whole. The following chart shows the distribution of CAMEL Composite Ratings applicable to Illinois state-chartered credit unions as of June 30, 1997.

CAMEL COMPOSITE RATINGS - JUNE 30, 1997

(GRAPH 1)

Composite Rating	Number of Credit Unions	Rates as % of Total Number of C.U.'s
1	138	27.54
2	252	50.29
3	89	17.76
4	22	4.39
5	00	0.00
TOTALS	501	



PROBLEM CASE OFFICER PROGRAM

The Problem Case Officers' primary responsibility is to provide guidance and assistance to CAMEL Code 4 and 5 rated institutions, as these credit unions develop operational plans of action to improve their overall efficiency and financial condition. The Division has also taken an active stance in monitoring certain CAMEL 3 credit unions to correct deficiencies before the survival of the credit union is jeopardized.

CHARTERING

A state-chartered credit union is a nonprofit, member-owned, cooperative financial institution incorporated to encourage thrift among its members, create a source of credit at a reasonable rate and provide an opportunity for members to improve their economic and social conditions.

The Department encourages the formation of new state-chartered credit unions and is an active participant in the chartering process. The initial step in organizing a credit union is completion of an application to the Credit Union Division. The Department and credit union organizers review compliance with common bond requirements, the economic viability of the proposed credit union, and development of a projected budget for first year operations.

Following a favorable investigation of these areas, the proposed new credit union will draft a statement of incorporation, adopt standard bylaws, and provide the Department with a commitment letter providing share insurance from either the National Credit Union Administration or American Share Insurance, Inc.

The Director of the Department holds approval authority for the granting of new charters.

SUMMARY

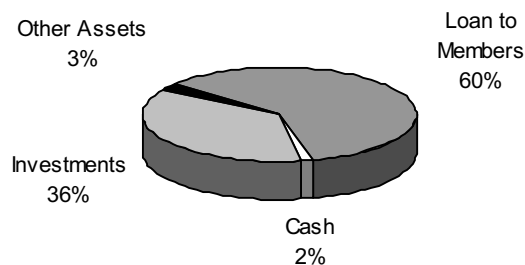
As we look forward to 1998, the Credit Union Division is poised to take advantage of the many enhancements implemented over the past year. Credit unions will continue to grow and will inevitably become more complex. Here at DFI, we diligently attempt to be a strong and fair regulator. It is our goal to continue serving the credit union movement by encouraging development of safe and sound operations. We believe the years ahead will be an exciting and productive period for the industry and look forward to meeting these challenges with Illinois credit unions into the next century.

CONSOLIDATED BALANCE SHEET

(000'S OMITTED)

	Analysis of 6/30/97	Totals 6/30/97	6/30/96	6/30/95
ASSETS				
Cash on Hand and in Banks	1.7%	\$ 157,062	\$ 171,834	\$ 149,992
Common Trust Investments	0.4%	36,488	60,340	24,347
S & L and Bank Investments	5.1%	475,307	488,834	539,024
U.S. Govt. & Agency Obligations	17.6%	1,635,975	1,862,677	1,803,746
Deposits in Corporate Credit Unions	11.0%	1,022,260	856,542	870,700
Other Investments	0.8%	75,525	57,241	61,947
(Allowance for Investment Losses)	0.0%	(\$878)		
Share Ins. Cap. Deposits	0.7%	64,824	60,140	56,869
Loans to Other Credit Unions	0.0%	0	0	0
Loans to members	60.9%	5,663,613	4,833,073	4,450,783
(Allowance for Loan Losses)	-0.5%	(49,026)	(43,556)	(44,448)
Furn.—Fix. (Less Depreciation)	0.4%	33,123	28,120	29,210
Land & Building (Less Depreciation)	0.9%	80,899	72,318	67,551
Other Assets	1.2%	\$ 107,820	\$ 90,326	\$ 84,973
TOTAL ASSETS	100.0%	\$ 9,303,870	\$ 8,537,889	\$ 8,093,816
LIABILITIES				
Notes Payable	0.1%	\$ 8,162	\$ 6,308	\$ 13,004
Dividends Payable	0.1%	7,542	9,771	7,434
All Other Liabilities	0.4%	37,683	32,671	23,082
TOTAL LIABILITIES	0.6%	\$ 53,387	\$ 48,750	\$ 43,520
NET WORTH				
Common Shares	51.6%	\$ 4,801,252	\$ 4,659,060	\$ 4,639,589
Other Classes of Shares	18.5%	1,721,512	1,401,878	1,121,472
IRA/Retirement Shares	10.0%	934,865	898,476	901,710
Share Draft Accounts	8.1%	757,398	665,834	609,895
Non-Member Deposits	0.7%	61,229	22,198	20,766
Regular Reserve	3.5%	325,607	278,174	253,874
Accum. Unrealized Inv. Fluctuation	-0.1%	(4,752)	(9,424)	(7,218)
Undivided Earnings	5.8%	535,716	466,942	394,369
Other Reserves	1.3%	\$ 117,656	\$ 106,001	\$ 115,839
TOTAL NET WORTH	99.4%	\$ 9,250,483	\$ 8,489,139	\$ 8,050,296
TOTAL LIABILITIES AND NET WORTH	100.0%	\$ 9,303,870	\$ 8,537,889	\$ 8,093,816

Distribution of Assets

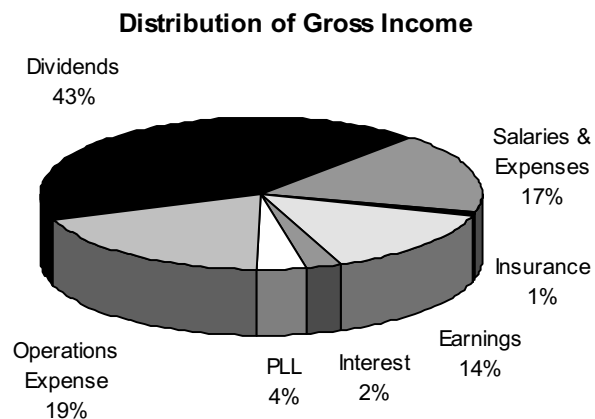


CONSOLIDATED STATEMENT OF INCOME AND EXPENSE

(000's OMITTED)

	Analysis of FY06 Totals	FY97* 6/30/97	FY06 6/30/06	FY05 6/30/05
INCOME				
Interest-Members' Loans	65.8%	\$ 488,646	\$ 416,647	\$ 375,280
(Less Interest Rebate)	-0.1%	-\$ 431	-\$ 902	-\$ 1,369
Interest-Investments	24.8%	184,061	181,421	177,349
Gain(Loss)-Sale of Investments	0.1%	888	277	-\$ 1,848
Other Income	9.4%	\$ 69,610	\$ 54,992	\$ 49,603
TOTAL INCOME	100.00%	\$ 742,774	\$ 652,435	\$ 599,015
EXPENSES				
Salaries and Benefits	17.2%	\$ 127,694	\$ 112,842	\$ 105,790
Insurance (Less Rebates)	0.9%	6,447	7,279	7,955
Provision for Loan Losses	3.5%	25,652	17,565	14,314
Office Operation Expense	7.6%	56,256	46,398	49,081
Other Expenses	11.8%	\$ 87,523	\$ 77,151	\$ 65,059
TOTAL EXPENSES	40.9%	\$ 303,572	\$ 261,235	\$ 242,199
OPERATING INCOME	59.1%	\$ 439,202	\$ 391,200	\$ 356,816
Interest on Borrowed Money	2.4%	\$ 18,154	\$ 996	\$ 5,368
Dividends	42.3%	\$ 313,966	\$ 302,656	\$ 267,125
NET EARNINGS	14.4%	\$ 107,082	\$ 87,548	\$ 84,323
DISTRIBUTION OF NET EARNINGS				
Regular Reserve	2.2%	\$ 16,195	\$ 25,307	\$ 30,790
Undivided Earnings Account	12.2%	\$ 90,887	\$ 62,240	\$ 53,533
TOTAL DISTRIBUTED	14.4%	\$ 107,082	\$ 87,547	\$ 84,323

*Annualized Data, June 30, 1997 5300 Call Reports



STATE-CHARTERED CREDIT UNIONS IN ILLINOIS CREDIT UNION DIVISION OPERATIONS

FISCAL YEAR ENDING	1997	1996	1995	1994	1993
(July 1 to June 30)					
Number of Examiners	22	22	23	25	23
Number of Credit Unions	501	514	535	551	580
Number of Annual Exams					
Conducted by the Department	477	523	557	586	549
Number of Surprise Exams					
Conducted by the Department	11	2	0	4	5
Number of Consumer Complaints	72	52	41	84	64
REVENUE (000)					
Annual Examination Fees	\$ 1,964.0	\$ 1,784.0	\$ 1,958.8	\$ 1,889.4	\$ 1,588.4
Surprise Examination Fees					
Supervision Fees	506.2	508.8	516.4	523.2	523.7
Misc. Fees & Fines	\$ 29.8	\$ 20.8	\$ 26.6	\$ 24.5	\$ 30.4
TOTAL REVENUE	\$ 2,500.0	\$ 2,313.6	\$ 2,502.2	\$ 2,437.1	\$ 2,142.6
EXPENDITURES (000)					
Personal Services	\$ 1,701.0	\$ 1,648.9	\$ 1,521.4	\$ 1,370.2	\$ 1,274.2
Retirement	66.5	78.6	60.2	61.2	60.6
Group Insurance	189.5	185.7	190.2	175.4	195.2
Social Security	127.6	123.4	113.4	102.9	95.5
Contractual Services	92.2	75.8	71.2	77.6	278.1
Travel	197.5	197.4	177.6	161.7	141.0
Commodities	6.2	5.8	5.5	5.6	4.5
Printing	1.9	0.9	0.6	0.9	0.0
Equipment	1.1	4.2	4.5	3.9	0.0
Refunds	1.1	0.3	1.1	0.2	0.5
Telecommunications	19.9	15.8	17.9	12.0	12.0
Payment to GRF	0.0	0.0	0.0	0.0	300.0
Retirement by Employee	84.6	64.5	62.6	53.3	49.1
MIS	\$ 0.0	\$ 8.4	\$ 9.6	\$ 13.4	
TOTAL EXPENDITURES	\$ 2,489.1	\$ 2,409.7	\$ 2,235.8	\$ 2,038.3	\$ 2,410.7
REVENUE OVER (UNDER) EXPENSES	\$ 10.9	(\$ 96.1)	\$ 266.4	\$ 398.8	(\$ 268.1)

LARGEST 25 CREDIT UNIONS IN ASSET ORDER

CREDIT UNION NAME	CITY	ASSETS	MEMBERS
UNITED AIRLINES EMPLOYEES	ARLINGTON HEIGHTS	\$ 2,271,041,345	127,748
BAXTER	DEERFIELD	415,320,559	88,783
I.H. MISSISSIPPI VALLEY	ROCK ISLAND	265,919,119	64,017
GREAT LAKES	GREAT LAKES	264,398,342	103,989
CORPORATE AMERICA	ELGIN	248,813,276	60,005
MOTOROLA	SCHAUMBURG	238,306,505	46,569
CONSUMERS COOPERATIVE	WAUKEGAN	181,534,473	38,688
SCOTT	COLLINSVILLE	175,666,515	36,301
OLIN EMPLOYEES	EAST ALTON	154,327,855	25,391
DEERE HARVESTER	MOLINE	151,428,000	32,700
EDISON	CHICAGO	141,718,073	23,127
DECATUR EARTHMOVER	DECATUR	135,705,855	17,644
CREDIT UNION 1	RANTOUL	118,810,434	68,106
ABBOT LABORATORIES	GURNEE	116,700,417	21,636
DEERE & COMPANY	MOLINE	113,249,376	19,077
DUPAGE	WHEATON	109,598,034	26,557
AURORA EARTHMOVER	AURORA	101,725,324	24,441
HEALTHCARE ASSOCIATES	NAPERVILLE	93,595,121	45,436
ARGONNE	ARGONNE	89,920,387	12,266
NUMARK	JOLIET	82,909,164	21,041
KANE COUNTY TEACHERS	ELGIN	82,598,245	16,519
COMMUNITY TRUST	GURNEE	79,751,431	13,866
UNITED	CHICAGO	77,818,302	24,306
MEADOWS	ARLINGTON HEIGHTS	76,126,546	22,703
HAWTHORNE	NAPERVILLE	\$ 75,260,432	18,551

**CURRENCY
EXCHANGE
DIVISION**

BACKGROUND

Under the authority of the Currency Exchange Act, 205 ILCS 405/1 et seq., the Currency Exchange Division licenses and regulates all Illinois community and ambulatory currency exchanges. The Act protects the public and maintains the integrity of the currency exchange industry. The attendant rules and regulations delineate records, rates and rate-making procedures.

Currency exchanges provide important services to our citizens. The Division ensures these services are delivered fairly and efficiently and that the public is provided with all the safeties and protections intended by state law.

Community currency exchanges are housed in permanent locations and offer a variety of financial and financially-related services to consumers. In addition to cashing checks and selling money orders, the Director may allow additional services in licensed exchanges if they are consistent with the provisions of the Act and are in the best interest of the public.

In addition to serving in the network which makes available to recipients Public Aid benefits, approved services include the following: processing motor vehicle and title registration forms; accepting utility bill payments; selling public transportation tokens; offering credit card cash advance programs; out-of-state money transfers; mailbox service; bailbond cards; fax copying and ordering certified copies of birth, death and marriage certificates. Another innovative new program is "Secure Check" which allows citizens to receive electronically deposited payments, such as social security, through currency exchanges.

CURRENCY EXCHANGE LICENSEES AS OF JUNE 30, 1997

DATE	NUMBER OF LICENSEES
6-30-97	700
6-30-96	706
6-30-95	707
6-30-94	708
6-30-93	706

Regulatory authority also extends to ambulatory currency exchanges. These are mobile check cashers, traveling in armored car from site to site, cashing payroll checks for employees on the employer's premises. As of June 30, 1997 there were 393 licensed ambulatory locations in Illinois.

The Currency Exchange Division also advises the Director on liquidations, revocations, receiverships, legislation, and all currency exchange related litigation.

OPERATIONS

EXAMINATIONS

State law mandates that each community currency exchange be examined annually and gives the Director discretionary authority to inspect ambulatory currency exchanges.

Trained field examiners conduct the examinations on a surprise basis at the location of operations. Those found to be in violation of the Currency Exchange Act and/or the rules and regulations are subject to re-examination to ensure compliance. During FY97, 779 examinations were conducted on Illinois community currency exchanges.

APPLICATIONS

All applications for new community currency exchange or ambulatory licenses are thoroughly reviewed and investigated. Applications for change of location, purchase, change of name, stock transfer and approval of officer are also investigated. Each must be approved by the Director before it can be implemented by the applicant. Division management continually takes steps to improve and expand the review and investigation process to make certain that each application is handled as fairly as possible.

UNCLAIMED MONEY ORDERS

As an example of intra-departmental cooperation, the Currency Exchange Division processes the recording of unclaimed money orders. These money orders are more than five years old and are discerned as a result of the Division's examination of currency exchanges. When remitted to the Unclaimed Property Division, the funds are held in custody by the State until such time as the owner or heir claims them. This procedure saves the currency exchange the time and expense of filling out an annual report, enables the Unclaimed Property Division to devote its energies to other areas and ensures the proper collection and recording of assets which fall under the Uniform Disposition of Unclaimed Property Act. The unclaimed property remitted by this procedure for FY97 totaled \$ 97,353,673.

CONSUMER COMPLAINTS

One of the Division's primary functions is to investigate consumer complaints. The Division's Chief Investigator works with the consumer and the currency exchange involved to help bring about an equitable and speedy resolution. During FY97, the Division resolved 252 consumer complaints.

TYPE, NUMBER, AND PERCENTAGE OF CONSUMER COMPLAINTS

	FY97	FY96	FY95	FY94	FY93
Money Order	113 or 45%	116 or 46%	98 or 48%	71 or 46%	95 or 36%
License	23 or 9%	19 or 7%	26 or 13%	18 or 12%	38 or 15%
Employee Attitude	33 or 13%	35 or 14%	31 or 15%	22 or 14%	48 or 18%
Utility Bill	36 or 14%	33 or 13%	15 or 7%	13 or 8%	23 or 9%
Check Cashing	47 or 19%	50 or 20%	34 or 17%	30 or 20%	57 or 22%
TOTAL	252 100%	253 100%	204 100%	154 100%	261 100%

NEW COMMUNITY CURRENCY EXCHANGE OPENINGS

	FY97	FY96	FY95	FY94	FY93
Chicago	0	2	1	0	2
Suburban Chicago	6	4	2	1	4
Downstate Illinois	0	1	0	0	2
Northern Illinois	0	0	2	0	1
Northwest Illinois	0	0	0	1	0
Western Illinois	0	1	0	0	0
TOTAL	6	8	5	2	9

NEW COMMUNITY CURRENCY EXCHANGE LICENSES ISSUED

Anish Corp. d/b/a
25th & Eisenhower C.E.
1041 S. 25th Ave.
Bellwood, IL 60104

Chicago State C.E., Inc.
8 S. State
Elgin, IL 60123

Greenbrook C.E., Inc.
1110 E. Lake St.
Hanover Park, IL 60103

Park Place C.E., Ltd.
3700 N. Mannheim Rd.
Franklin Park, IL 60103

Woodward C.E., Inc.
6400 G Woodward.
Downers Grove, IL 60516

95th & Kedzie C.E., Inc.
3149 W. 95th St.
Evergreen Park, IL 60805

AMBULATORY CURRENCY EXCHANGE LICENSES

NUMBER OF LICENSES ISSUED

	FY97	FY96	FY95	FY94	FY93
TOTAL	11	16	35	35	32

There were 393 active ambulatory licenses at the end of FY'97. New licensees include:

NAME

Circuit Systems
Chicago Transit Authority
Excello, Ltd.
Lakewood Engineering (Carroll St.)
Lakewood Engineering (Sacramento Blvd.)
Life Fitness
Prince Industries
Sabratek Corporation
Southview Manor
Signature Group
Wismarq Corporation

CITY

Elk Grove Village
Chicago
Chicago
Chicago
Chicago
Franklin Park
Carol Stream
Niles
Chicago
Itasca
Franklin Park

TOTAL REVENUE RECEIVED

Revenue generated by the Currency Exchange Division is collected through examination, license, inspection, application fees and fines. In FY97, the Division's revenue was \$479,927.

TOTAL REVENUE BY CATEGORY

FEES	FY97	FY96	FY95	FY94	FY93
Community Currency Exchanges					
Examination	\$ 232,250	\$ 253,500	\$ 232,650	\$ 232,900	\$ 188,100
License	150,800	147,937	150,350	145,250	147,200
Fines	31,845	35,220	33,830	22,375	13,853
Investigation	49,700	39,600	39,100	44,500	36,500
Miscellaneous	1,693	9,407	1,285	442	386
Change Location	3,800	3,500	3,900	4,500	1,650
Ambulatory Currency Exchanges					
License Fees	\$ 10,198	\$ 10,861	\$ 11,603	\$ 11,566	\$ 11,245
Inspection Fees	0	0	38	0	0
TOTAL	\$ 480,286	\$ 500,025	\$472,756	\$461,533	\$398,934

INDUSTRY CONSOLIDATED REVENUE FIGURES

The Currency Exchange Act provides for the authority to set maximum check cashing and money order rates. Currently, the maximum check cashing charge is 1.4% of the face value plus 90 cents for checks \$500 or less and 1.85% of face value for checks greater than \$500. The maximum charge for the sale of a money order is 1% of the face value plus 75 cents.

	12 Months Ending December 31, 1996		12 Months Ending December 31, 1995	
	Revenue	Percentage of Income	Revenue	Percentage of Income
Check Cashing Fees	\$ 96,186,749	66%	\$ 91,768,285	66%
Money Order Fees	11,440,962	8%	10,812,298	8%
License Fees	14,982,054	10%	13,627,473	10%
Utilities Fees	3,374,147	2%	3,154,739	2%
Other Income	19,477,133	14%	19,340,375	14%
TOTAL	\$145,461,045	100%	\$138,703,171	100%

	12 Months Ending December 31, 1994		12 Months Ending December 31, 1993	
	Revenue	Percentage of Income	Revenue	Percentage of Income
Check Cashing	\$ 89,720,181	67%	\$ 85,319,628	67%
Money Order Fees	10,273,370	8%	10,094,535	8%
License Fees	14,029,613	10%	13,660,705	11%
Utilities Fees	3,074,970	2%	2,887,147	2%
Other Income	17,558,230	13%	15,433,156	12%
TOTAL	\$134,656,364	100%	\$127,395,171	100%

The 703 filers of Annual Reports as of December 31, 1996 are bracketed by total revenue in the following manner:

TOTAL REVENUE	12 Months Ending December 31, 1996
\$900,000 and over	3
\$800,000 - 899,999	3
\$700,000 - 799,999	3
\$600,000 - 699,999	5
\$500,000 - 599,999	9
\$400,000 - 499,999	34
\$300,000 - 399,999	65
\$200,000 - 299,999	152
\$100,000 - 199,999	332
\$ 50,000 - 99,999	81
Less than \$50,000	16
TOTAL	703

The mean Total Revenue reported was \$206,915.

**UNCLAIMED
PROPERTY
DIVISION**

HIGHLIGHTS

Unclaimed property continues to be a high profile area which receives a great deal of attention. Attention is understandable due to the high volumes of property that are received by the Division and subsequently returned to the rightful owners. The possibility of finding assets thought lost or forgotten is intriguing to everyone.

The Division has been very active this year with the National Association of Unclaimed Property Administrators. In a united effort to return property to the rightful owners, the Association is pursuing the placement of a State Sponsored National Unclaimed Property Database on the World Wide Web. The goal of the national unclaimed property database is to have an Internet site where citizens can make one inquiry of all states to determine if they have abandoned property anywhere in the United States. The system is also designed to grant access through telephone, facsimile or in writing.

The Division continued its efforts in outreach programs designed to locate owners of abandoned property. Outreach programs assist the Department in creating awareness of its purpose and goals to return property. Even our Governor, Jim Edgar, found property belonging to him, that he was unaware of, through the inquiry booth at the Illinois State Fair in Springfield.

The Unclaimed Property Division had another big year in both the receipts reported and in the amount of property returned to rightful owners and through the return of property with reciprocity with other states. Claims paid in the amount of 28,442 was the largest ever, exceeding the previous high by 40%. \$34,318,738 returned through claims and reciprocity represented a new record for the Division by over 14%. The entire staff of the Unclaimed Property Division can take pride in these accomplishments and their continuing efforts to do more with less.

BACKGROUND

The Unclaimed Property Division administers one of the oldest and most important consumer protection laws in Illinois - the Uniform Disposition of Unclaimed Property Act. The Illinois legislature realizing that it was unfair for the holders to profit from the use of money that belonged to others, enacted the unclaimed property law and charged DFI with the collection and administration of unclaimed property. The legislature also recognized that if true owners or heirs could not be found, the benefit of the unclaimed assets should accrue to all the people in Illinois.

The Act requires all entities - private and public - to remit all financial assets to the State if unclaimed for five years or more. Governmental entities are required to remit assets unclaimed for seven years or more. Unclaimed property can be any financial asset including abandoned savings and checking accounts, unpaid wages or commissions, stock, uncashed dividends, customer deposits or overpayments, credit balances, refunds, money orders, travelers checks, paid-up life insurance policies, etc.

The Illinois unclaimed property statute is "custodial" in nature. This means that an owner or heir can always claim funds that were remitted to the Division. This differs from an "escheat state" in which, after a mandated period, funds remitted to the State become the State's property and can no longer be claimed by an individual. All unclaimed assets remitted to this State are held in perpetual custody until the rightful owner or their heirs claim them.

OPERATIONS

UNCLAIMED PROPERTY COLLECTION

The Act centralizes the collection of unclaimed financial assets. Since 1961, \$786,438,442 has been received from business organizations, financial institutions and governmental entities. The Division received \$97,353,673 in unclaimed assets in FY97 (See Graph 1).

REMITTANCE REPORTS

The Division mails approximately 45,000 notices, annual reports and other items annually to organizations holding unclaimed funds. The reports and notices are part of voluntary compliance with the Act.

The Division received a total of \$91,287,102 from the voluntary compliance reporting by holder organizations. Approximately 388,345 additional owners were added to the unclaimed property owner file during FY97 of which 85% owners were electronically reported.

CLAIMS

The Division received and processed 62,281 consumer inquiries in FY97 (See Graph 2). As a result of these inquiries, the Division paid a record-breaking 28,442 claims returning unclaimed assets totaling \$34,318,738. In the number of claims paid, this is an annual increase of 257% from FY93 to FY97 (See Graphs 3 and 4). Since inception of the Act in 1961, the Division has returned \$152,348,218 to 139,014 owners.

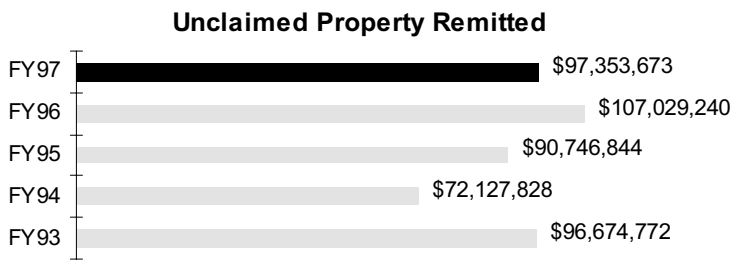
FISCAL YEAR	NUMBER OF CLAIMS		PAID AMOUNT
FY'97	28,442	\$	34,318,738
FY'96	20,252	\$	30,253,939
FY'95	16,705	\$	20,667,921
FY'94	15,248	\$	18,270,573
FY'93	7,972	\$	8,764,924

OWNER IDENTIFICATION

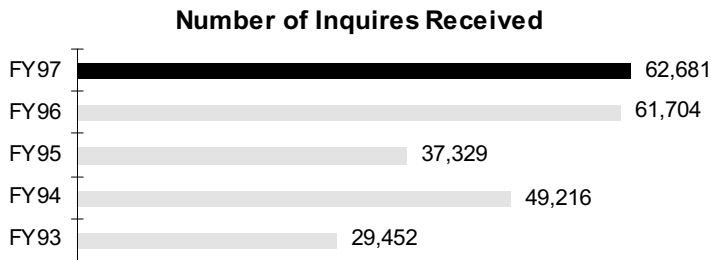
The Division attempts to locate the rightful owners or heirs of unclaimed assets held in the Department's possession. The primary source for locating owners is the annual publication of owners' names in the county of the last known address. The Division publishes newly received names twice per year. In FY97, the Division published the names of 72,828 owners in newspapers located in all 102 counties in Illinois (see Graph 5).

Additionally, the Division provides lists of unclaimed property owners to legislators who attempt to contact owners in their districts. Each year thousands of owners are reunited with their assets as a result of these efforts. The Division also performs owner discovery through special mailings, personal contact, etc. In cooperation with the Public Information Office, public education programs, information booths, handouts, flyers, speaking engagements and media interviews help citizens identify Illinois' unclaimed property. The Department provides an information booth at the Illinois State and the DuQuoin State Fair and the James R. Thompson Center providing computerized access to the owner database, which allows for instant identification of possible unclaimed property owners.

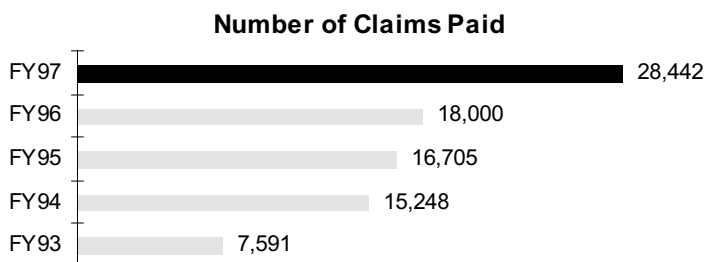
(GRAPH 1)



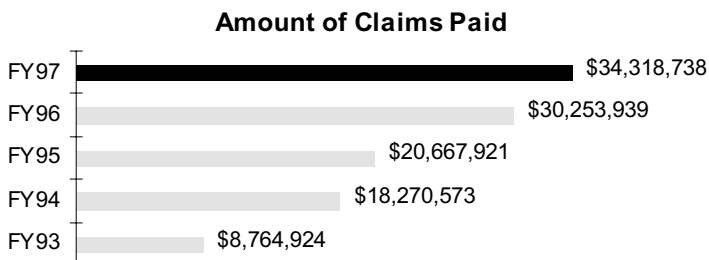
(GRAPH 2)



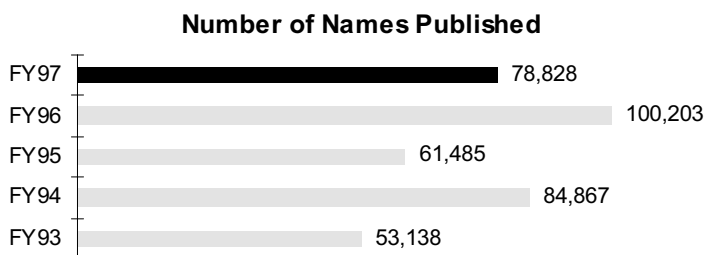
(GRAPH 3)



(GRAPH 4)



(GRAPH 5)



EXAMINATIONS

To ensure compliance with the Act, the Division conducts examinations of holder organizations. The examination educates holders on the proper method of recording and reporting of unclaimed assets and provides a review of existing records to determine the accuracy of their annual remittance reports.

Further, the Division’s examiners assist holders in preparing required reports and informs them of their responsibilities under the Act. “In-service” training sessions are routinely scheduled so that examiners can share experiences and refine their approach to conducting examinations.

The examination staff completed 235 examinations in FY97. The Division received \$4,506,500 and 825 shares in FY97 as a result of the examinations (See Graph 6 & 6A).

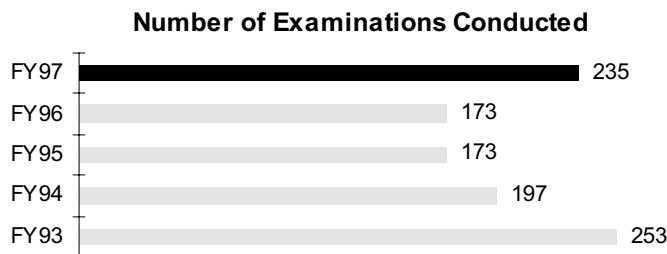
In FY97, the Unclaimed Property Division received \$4,409,505 and 220,174.61 shares from State Street Bank’s Unclaimed Property Clearinghouse. The Division also received \$838,554 and 76,301.994 shares from the National Abandoned Property Processing Corporation (NAPPCO).

SHARES REMITTED FROM

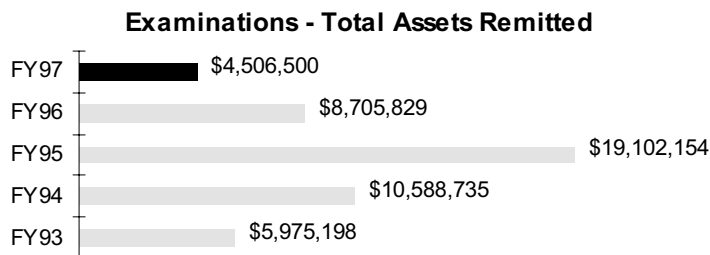
Voluntary Report	821,342.8860
Examinations	825.0000
Clearinghouse	220,174.6100
NAPPCO	76,301.9940

TOTAL SHARES REMITTED 1,118,644.4900

(GRAPH 6)



(GRAPH 6A)



RECEIPTS AND EXPENDITURES

The Division's revenue originates from three sources: collection of unclaimed property, dividends/interest, and fees charged for holder examination. Program revenues fund the Division's operational costs. The remaining revenues, which far exceed the operating costs, are appropriated to the five state-funded retirement systems as required by law.

RECEIPTS

Unclaimed Assets	\$	97,114,883 *
Dividends /Interest		238,790

EXPENDITURES

Operations	\$	4,107,744
Claims		34,318,738**

* Figures do not include miscellaneous administrative revenue.

** Aggregate total on claims approved for payment.

UNCLAIMED PROPERTY RECEIPTS

Total unclaimed Property remittances were down 9% in FY97 from the previous fiscal year. The remittance of unclaimed property through voluntary holder reporting showed a 5.6% decrease, while examination remittances decreased by 48%.

	FY97	FY96	FY95	FY94	FY93
Holder Remittance	\$ 59,247,083	\$61,388,807	\$ 52,584,950	\$ 44,721,223	\$ 79,271,825
Currency Exchange	1,555,420	1,596,738	1,511,850	1,640,959	1,576,753
Examination Remittance	4,506,500	8,705,829	19,102,154	10,588,735	5,975,198
Examination Fees	0	32,948	4,045	18,730	42,815
Clearinghouse	4,409,505	9,044,288	3,508,759	2,602,563	2,000,695
NAPPCO	838,554	1,462,045	872,096	2,284,230	748,026
Dividends/Interest - Accruing to Securities Held by Department	238,790	648,291	588,400	1,443,701	485,512
Safe Deposit Proceeds	224,882	244,829	234,869	414,505	310,552
Sale of Securities	21,239,575	20,527,821	9,592,705	7,600,043	5,129,198
Reciprocity Remittance	5,088,713	3,376,713	2,731,018	770,389	1,250,893
Miscellaneous	4,651	931	15,998	42,760	9,382
TOTAL REVENUE	\$ 97,353,673	\$107,029,240	\$ 90,746,844	\$ 72,127,828	\$ 96,800,849
TOTAL CLAIMS	\$ 34,318,738	\$ 30,253,939	\$ 20,667,921	\$ 18,270,573	\$ 8,764,924
NET RECEIPTS	\$ 62,841,018	\$ 76,775,301	\$ 70,078,923	\$ 53,857,255	\$ 88,035,925

INTERSTATE COOPERATION

The Unclaimed Property Division collects incidental unclaimed property for residents of other states from Illinois businesses and promotes the exchange of unclaimed funds with other states. This mutual collection and exchange between states provides owners of abandoned property with greater capabilities of locating and retrieving their unclaimed assets, and promotes harmony and cooperation between the states.

During FY97 the Illinois Unclaimed Property Division exchanged \$14,398,077 with 38 other states and the District of Columbia. During the 16 years since FY82, the Division has exchanged a total of \$62,239,738.

STATE	Paid FY97	Received FY97	Paid FY82-97	Received FY82-97
Alabama	\$ 0	0	64,260	0
Alaska	3,419	7,282	47,945	36,438
Arizona	47,781	88,818	709,213	146,013
Arkansas	11,614	30,635	206,483	33,730
California	5,399,264	649,202	11,373,749	2,648,133
Colorado	282,740	9,149	573,355	9,149
Connecticut	0	0	152,483	0
Delaware	407,136	3,576	643,036	3,576
D.C.	44,158	0	532,562	46,962
Florida	707,370	62,943	4,241,726	305,492
Georgia	0	0	167,672	0
Hawaii	0	0	17,656	0
Idaho	15,476	3,377	119,337	68,991
Indiana	205,297	50	1,515,802	252,940
Iowa	50,120	214,489	371,291	309,774
Kansas	115,825	0	224,684	0
Kentucky	57,354	0	448,761	43,219
Louisiana	16,294	0	230,637	35,405
Maine	1,610	34,025	34,789	38,032
Maryland	38,197	14,360	443,402	190,817
Massachusetts	119,144	914,754	2,401,157	1,909,445
Michigan	67,856	0	921,538	203,903
Minnesota	151,104	0	1,223,743	709,606
Mississippi	10,827	18,836	182,827	27,633
Missouri	103,360	54,744	948,499	250,460
Montana	0	0	19,103	0
Nebraska	13,320	215,852	316,938	536,098
Nevada	34,162	13,011	202,562	112,648
New Hampshire	5,381	1,739	46,258	3,185
New Jersey	0	0	275,072	0
New Mexico	38,195	0	317,765	60,738
New York	423,834	188,404	5,123,085	2,159,123
North Carolina	106,669	79,716	811,450	356,623
North Dakota	2,866	21,821	53,963	32,497
Ohio	178,809	412,768	1,182,829	1,571,585
Oklahoma	15,583	0	233,413	147,825
Oregon	0	0	56,110	0
Pennsylvania	0	0	260,186	0
Rhode Island	5,821	32,818	139,005	114,734
South Carolina	0	0	61,430	0
South Dakota	7,057	0	93,491	16,537
Tennessee	13,415	23,276	254,582	80,461
Texas	174,467	190,641	1,153,546	887,244
Utah	19,797	0	224,184	119,704
Vermont	0	0	11,849	0
Virginia	106,458	54,191	1,210,379	704,639
Washington	63,815	0	568,195	174,162
West Virginia	0	0	16,503	0
Wisconsin	241,960	460,145	1,784,627	1,976,744
Wyoming	1809	4,757	37,270	22,499
DE vs NY Settlement	0	1,283,334	0	3,642,572
TOTAL	\$ 9,309,364	\$ 5,088,713	\$ 42,250,402	\$ 19,989,336

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Illinois Department of Financial Institutions

James R. Thompson Center
100 W. Randolph
Suite 15-700
Chicago, IL 60601
312/814-2000
312/814-7138 TDD

500 Iles Park Place
Suite 510
Springfield, IL 62718
217/782-2831
217/785-3022 TDD

Unclaimed Property Division
160 N. LaSalle
Suite-921
Chicago, IL 60601
312/814-5140

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Public Information Office
Editor, Jose Carlos Gomez
Art Direction & Graphic Production, Thomas Rios Michalski
E-mail: dfi@pop.state.il.us
Homepage: www.state.il.us/dfi

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