



WILLIAM J. SCOTT
ATTORNEY GENERAL
STATE OF ILLINOIS
SPRINGFIELD

May 9, 1978

FILE NO. S-1357

FINANCIAL INSTITUTIONS:
Operation of a Nonprofit
Church Loan Fund

Timothy E. Griffin
Savings and Loan Commissioner
160 North LaSalle Street
Chicago, Illinois 60601

Dear Mr. Griffin:

I have your letter relating to a loan fund which churches of a particular denomination would like to operate within the framework of a not-for-profit Illinois corporation. You inquire whether the characteristics of the proposed fund are such that its operation in the manner contemplated would result in a violation of section 1-5 of the Illinois Savings and Loan Act. (Ill. Rev. Stat. 1977, ch. 32, par. 705.) For the reasons hereinafter stated, it is my opinion that, were the fund in question to operate in the manner described

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in your letter, it would be in violation of section 1-5 because the fund would, for all practical purposes, be transacting business within the scope of the Illinois Savings and Loan Act. Ill. Rev. Stat. 1977, ch. 32, par. 701 et seq.

Section 1-5 of the Act provides in pertinent part as follows:

"(a) No person or group of persons, except an association duly incorporated under this Act or a prior act, or a Federal association, or a foreign association duly authorized to do business in this State, shall transact business within the scope of this Act or do any business under any name or title, or circulate or use any advertising or make any representation or give any information to any person, which indicates or reasonably implies the operation of a business which is within the scope of this Act.

* * *

The functions of the proposed loan fund, as described in your letter, may be summarized as follows:

1. To lend money for the purchase or erection of church buildings and parsonages and for the acquisition of land for churches.
2. To accept deposits from churches and individuals upon which deposits interest will be paid.

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You point out that the organizational structure of the fund would be similar to that of a mutual savings and loan association.

The characteristics of the fund would not distinguish it from any other mutual savings and loan in a legally significant manner. If the fund were to accept deposits, pay interest, lend money on interest and organize itself along the lines of a mutual savings and loan association, one cannot but conclude that it would be transacting business within the scope of the Act and would, should it fail to obtain a savings and loan charter, be operating in violation of section 1-5.

Very truly yours,

ATTORNEY GENERAL