

INTERPRETIVE LETTER 90-7 (APRIL 11, 1990)

State bank may factor account receivables due from the U. S. Government with respect to any one contractor without limitation.

This is in response to your inquiry regarding any restrictions on the ability of Illinois state-chartered banks to factor accounts receivable from the United States Government and its federal agencies with respect to any one contractor.

This Agency takes the position that Illinois state-chartered banks may factor accounts receivable from the United States Government and its federal agencies with respect to any one contractor without limitation. The authority for this exemption is found in Subsections (1) and (3) of Section 35 of the Illinois Banking Act ("Act") (Ill. Rev. Stat. 1987, ch. 17, pars. 343(1) and (3)). Subsection 35(1) exempts obligations of the United States from the lending and investment limitations of Sections 32, 33 and 34 of the Act. Subsection 35(3) exempts obligations of any corporation wholly owned, directly or indirectly, by the United States or of any agency or instrumentality of the United States from the lending and investment limitations of the same Sections 32, 33 and 34.

[NOTE: The United States government must acknowledge that the claim is an obligation of the United States in accordance with Federal Assignment of Claims Act, 31 U.S.C. 3727, in order for claim to qualify for exemptions.]