



State of Washington

DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF CREDIT UNIONS

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November 6, 2008

Concise Explanatory Statement
Pursuant to RCW 34.05.325(6)

Rules for Implementation of Credit Union Compliance Standards for Federal Interagency Guidance on Nontraditional Mortgage Product Risks and Statement on Subprime Mortgage Lending (“Guidance”)

Agency reason for adoption of rules

“Guidance” rules are required by statute (Chapter 108, Laws of 2008, SHB 2770. RCW 19.144). The rules are needed to clarify the types of internal policies and procedures needed by state-chartered credit unions that provide subprime or nontraditional residential mortgage loans.

Description of differences between text of the proposed rules as published in the Washington State Register and the text of the rules as adopted, other than editing changes, stating reason for differences

None

Summary of comments received by DFI during the rulemaking process, and DFI’s responses to the comments

Two written comments were received prior to the public hearing held October 30, 2008:

1. Stacy Augustine, Washington Credit Union League requested that the Division of Credit Unions allow credit unions to adopt a model policy regarding intent to comply with the Guidance, rather than “having to integrate” the Guidance into lending policies, and that the DCU verify that a credit union has “adopted an appropriate policy concerning compliance.”

Response: The written rules were not changed based upon this comment.

2. Christina Higgins, Washington State Human Rights Commission, recommended “additional instructions to lenders that target subprime borrowers to implement

policies and procedures that will help ensure that these programs do not become discriminatory,” and requiring the provision of “information and materials important to consumer decision making to Limited English Proficient persons in the borrower’s primary or home language, with information translated into plain language terms that are understandable to the average person.”

Response: The written rules were not changed based upon this comment. Lenders are already required to comply with antidiscrimination laws, and the translation of material is not addressed in the federal “Guidance” documents or SHB 2770.

Oral comments received during the public hearing held October 30, 2008:

Bud Hedrick, WSECU, asked whether Credit Union Service Organizations (CUSOs) that do mortgage lending are included in the requirement to comply with the federal “Guidance.” Linda Jekel, chair of the hearing, replied that CUSOs are included.

CONCLUSION

The final proposed rules are appropriate and necessary, and provide clarification and consistency. DFI made the proposed rules available to all interested parties and the proposed rules were discussed at a noticed stakeholders meeting, in addition to the CR-102 hearing on the rules. All information on the rulemaking process, the draft rules, the written comments, and the hearings were timely posted to the Department of Financial Institutions’ website. The final rules are the product of an open, deliberative process.