

Subject: SHB 2770 (Chapter 108, Laws of 2008) Interagency Guidance

Date: August 26, 2008

As the trade association representing Washington's credit unions, the Washington Credit Union League is pleased to have the opportunity to provide input on the Division of Credit Union's rulemaking process implementing rules concerning Section 4 of SHB 2770, which requires financial institutions to adopt and adhere to internal policies and procedures reasonably intended to achieve the objectives set forth in the Interagency Guidance on Nontraditional Mortgage Product Risks and the Statement on Subprime Mortgage Lending (collectively "the Guidance"). As few credit unions are involved in subprime mortgage lending and nontraditional mortgage products, it's my hope that these proposed rules will have less of an operative effect on credit unions than would appear at first blush. And, as the Division points out, many of the recommendations in the Guidance are good business practices, and may already be followed by credit unions.

The League appreciates the fact that the Division has extrapolated a list of subjects that must be included in a credit union's policies and procedures from the Guidance. We believe that this list will prove very helpful for credit unions attempting to come into compliance with the rule.

As this section is currently written, the proposed rule requires a credit union to integrate Guidance-related policies into its existing policies. This process could be time consuming because the Guidance touches on many different types of lending products a credit union may offer its members. For this reason, and because the underlying statute is already in effect, we urge the Division to allow a credit union to adopt a policy concerning the Guidance, without having to integrate Guidance-related principles into its pantheon of lending policies. Allowing a credit union to adopt a model policy stating that it will at all times comply with the Guidance would be particularly beneficial to small credit unions that are already struggling with their compliance burden. This change would also allow the League to produce a model policy that could easily be adopted by credit unions.

This change could be reflected with the following amendments:

WAC 208-480-040

Yes, the guidance requires all financial institutions, including credit unions, to focus on the following subjects and either adopt one policy concerning compliance with the Guidance, or amend apply the relevant ones to their existing policies and procedures to reflect the Guidance:

WAC 208-480-070

For supervision purposes, the Division of Credit Unions will:

1. verify that a credit union has adopted an appropriate policy concerning compliance with the Guidance, or integrated the Guidance into its Policies and Procedures, as part of its risk-focused exam. DCU will not mandate the length or exact wording used in the Guidance Policies and Procedures.

Thank you once again for the continued opportunity to provide input on this rulemaking. If any of these comments require further clarification, please don't hesitate to contact me.

Very truly yours,

Stacy S. Augustine

Senior Vice President & General Counsel | **Washington Credit Union League**

saugustine@waleague.org | 206.340.4816 | 800.552.0680 ext. 121 | www.waleague.org