



January 9, 2008

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DEPT. OF FINANCIAL INSTITUTIONS
OLYMPIA, WASHINGTON

Ms. Linda Jekel
Director of Credit Unions
Department of Financial Institutions
P.O. Box 41200
Olympia, WA 98504-1200

RE: Washington Credit Union League comments on proposed fee increase

Dear Ms. Jekel,

The Washington Credit Union League appreciates the opportunity to comment on the Division of Credit Unions' proposed fee increase. On behalf of Washington state credit unions, the League would like to offer the following comments and observations pertaining to the proposal.

Background

The Division of Credit Unions is wholly funded by asset-based assessments levied against state chartered credit unions. It does not receive any funds from the state's general fund.

Under state law, the Division cannot increase its assessment rate in any one fiscal year by more than the fiscal growth factor for the year. In 2001, the League supported both a fee increase and a change from an *hourly examination fee* to an *asset-based examination fee*. The change to an asset-based fee was intended to provide the Division with greater stability and predictability with respect to its budget, and the total assets of state chartered credit unions has grown impressively.

The Division has now proposed a 5.38 percent increase over and above increases that would occur organically as part of state chartered credit unions' asset base increases.

Concerns Raised

Washington credit unions supported the Division's proposed fee increases in both 1995 and 2001, and believe that an empowered, business-oriented regulator increases the strength and viability of Washington's credit union community. The League further understands that in order to continue to provide quality regulatory services, fees must occasionally be increased, to reflect economic reality.

However, through the League the Washington credit union community has voiced several concerns pertaining to the Division's proposed increase.

First, while Division staff have done a good job making a business case for the fee increase to members of the Budget and Efficiency Task Force, this business case should be made to all state chartered credit unions. Credit unions would like to see a full business case analysis that completely explains why the proposed fee increase is necessary. This analysis should additionally answer relevant questions, such as: Why haven't the organic increases that are associated with an asset-based assessment kept pace (especially since there are more state chartered credit unions in Washington today than when the formula was created)? What has the Division done to reduce its expenses? What types of increased costs are out of the Division's control? How do the Division's efficiency metrics compare to other credit union regulators? And, how has the Division looked to improve its efficiency (e.g., through the use of technology)?

Second, much of the support for past fee increases resulted from the credit union community's desire to increase examiner quality and retention. In the past well-trained examiners were being lost to the NCUA and the Division of Banks. The last fee change came with assurances that there would be emphasis placed on examiner training. Could the Division provide more detail on what it has done to increase examiner quality since the last fee increase? Did the last increase succeed in improving quality or reducing industry concerns? What is the Division planning to do in the future to address examiner quality?

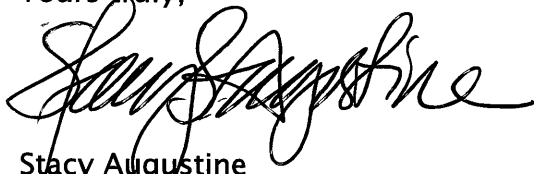
Along the same lines, perhaps the Division of Credit Unions could benchmark examiner training, expertise, and qualifications with other financial institution regulators. It would be illuminating to see comparisons between the qualifications of NCUA examiners, Division of Banks examiners and Division of Credit Union examiners. This comparison could help illustrate the need for funds to maintain quality.

Third, the League continues to be concerned about having dedicated, non-appropriated funds swept into the state's general fund. The League generally supported the merging of the separate Division of Credit Unions, Division of Banks, Division of Securities, and Division of Consumer Services funds into one Department of Financial Institutions fund. However, because of the size of this fund, the fund is much more visible to the legislature during times of economic stress. The League commends Division of Credit Unions staff for doing their best to reduce the impact on Division of Credit Unions reserves, but the funds sweeps have had an appreciable effect on Division reserves and spending practices. What is the Division's plan for avoiding funds sweeps in the future? Should these funds be administered separately in the future in order to avoid a sweep? Alternatively, should the Division of Securities fund be administered separately since all but 13 percent of the fund already goes to the state's general fund? It seems unlikely that the Department is in immediate peril of having funds swept, and the League is eager to look for ways to ensure that Division of Credit Unions reserves are not swept again in the future.

Providing this information to Washington's credit union community may give credit unions more confidence that the Division's fee increase is necessary and will be put to good use.

If the League can be of any assistance to you in creating a forum to discuss these matters, please ask, and the League will strive to commit appropriate resources to the endeavor.

Yours truly,

A handwritten signature in black ink, appearing to read "Stacy Augustine". The signature is fluid and cursive, with the first name "Stacy" being more prominent than the last name "Augustine".

Stacy Augustine
Senior Vice President & General Counsel