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Sent: Wednesday, July 22, 2009 12:22 PM

To: Dustin Luton; Lisa Sanborn; Bryan Mogensen; Douglas Orth

Cc: Conrad, Joanne C (DFI); Delimont, Mike (DFI); Mires, Rhonda (DFI)

Subject: Director of Credit Unions requesting comments and guidance on accounting for OREO

The Director of Credit Unions for the Washington Department of Financial Institutions, Division of Credit Unions, is requesting comments and guidance from accounting professionals with its current rulemaking on "Other Real Estate Owned (OREO)." The next rule-making teleconference is scheduled for Thursday, July 30, 2009 from 2:00 pm to 4:00 pm PDT; dial in 1-877-298-8255, conference ID 7009517. The teleconference will ask members of the task force for comments on a variety of accounting issues related to credit unions managing OREO.

Background

The Washington State Division of Credit Unions (DCU) submitted its CR-101 WSR 09-09-076 for rulemaking on April 14, 2009. DCU then developed a task force of about 30 stakeholders, primarily credit union staff, with a broad range of OREO experience and held its first meeting/teleconference at DFI on April 29, 2009. However, the next task force meeting, July 30, 2009, will address a variety of accounting issues that require the expertise of a certified public accountant. Below is a timeline on progress for OREO rule-making and a brief summary of accounting issues for the next meeting.

April 14, 2009 Filed CR-101 with OCR

April 23, 2009 DCU issued OREO rulemaking notice Bulletin B-09-03

April 29, 2009 1st T/F mtg - Introductions, review of DCU Bulletin B-09-03, list of OREO issues, document access through DFI website

May 21, 2009 2nd T/F mtg - Discussed definitions, reason for rule, rulemaking authority, director authority to require reports, & authority for CUs to hold OREO

June 30, 2009 3rd T/F mtg - Discussed OREO definition, holding terms & beginning period, standards to determine regulatory acceptability, accounting & materiality

July 30, 2009 4th T/F mtg - Accounting and materiality for holding OREO

Accounting Issues

1. Should the rule provide a general discussion of GAAP related to OREO or should the GAAP discussion be in a guidance document? (Currently, the proposed rule references FAS 15, FAS 144, SPO 92-3, FAS 34, FAS 67, and FAS 66.)
2. Does GAAP have a definition of OREO?
3. Does GAAP have a definition of "fair value"?
4. Does GAAP provide definition of the "recorded amount of loan", i.e. what is included in recorded amount of loan?
5. Are there other definitions in GAAP related to OREO?
6. Does GAAP require an appraisal when OREO acquired? Does GAAP require periodic re-evaluation of value during OREO holding period?
7. The regulator wants credit unions to account for OREO under GAAP even if the individual journal transaction would not be "material" under GAAP. From an accounting professional, what are the pros and cons of such a requirement?

If your firm would like to participate in the development and implementation of this rule, please contact Linda Jekel, Division Director, at 360-902-8778 or ljekel@dfi.wa.gov.

For more information and documents pertaining to this OREO rulemaking please visit the DFI

rulemaking website at <http://www.dfi.wa.gov/cu/rulemaking.htm>

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