



# PROPOSED RULE MAKING

## CR-102 (June 2004)

(Implements RCW 34.05.320)

Do NOT use for expedited rule making

Agency: Department of Financial Institutions

Preproposal Statement of Inquiry was filed as WSR 09-09-076 ; or  
 Expedited Rule Making--Proposed notice was filed as WSR \_\_\_\_\_; or  
 Proposal is exempt under RCW 34.05.310(4).

Original Notice  
 Supplemental Notice to WSR \_\_\_\_\_  
 Continuance of WSR \_\_\_\_\_

Title of rule and other identifying information: (Describe Subject)

The proposed rule provides standards for credit unions in the management of "other real estate owned" (OREO), dealing with the mitigation of losses for loans collateralized by real property or acquired as the result of loan defaults.

**Hearing location(s):**

John A Cherberg Bldg.  
(Senate Office Bldg)  
State Capital Campus,  
Olympia WA 98501

Date: October 28, 2009 Time: 2PM to 4PM

**Submit written comments to:**

Name: Joanne Conrad  
Address: P.O. Box 41200, Olympia, WA 98504-1200

e-mail jconrad@dfi.wa.gov  
fax (360)704-6490 by (date) October 28, 2009

**Assistance for persons with disabilities:** Contact

Rhonda Mires by October 28, 2009: rmires@dfi.wa.gov  
or (360) 902-8718

**Date of intended adoption:** November 24, 2009  
(Note: This is NOT the effective date)

**Purpose of the proposal and its anticipated effects, including any changes in existing rules:**

There is no existing rule for credit unions regarding the management of OREO. The purpose of the proposed rule is to provide standards for credit unions handling portfolios of OREO property. The anticipated effect is that credit unions will be encouraged to follow industry safe and sound practices and develop their own policies on the prudent management of OREO, helping to mitigate possible loss.

**Reasons supporting proposal:**

Recent economic problems have increased the holding of foreclosed properties by financial institutions. Many credit unions have limited experience in the management of OREO. This rule will provide useful standards, and enable credit unions to minimize the impact of foreclosures through analysis and management policy.

**Statutory authority for adoption:** RCW 31.12.404; RCW 31.12.426; RCW 31.12.428; RCW 31.12.436; RCW 31.12.516.

**Statute being implemented:** RCW 31.12

**Is rule necessary because of a:**

Federal Law?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Federal Court Decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
State Court Decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

If yes, CITATION:

**CODE REVISER USE ONLY**

OFFICE OF THE CODE REVISER  
STATE OF WASHINGTON  
FILED

DATE: September 22, 2009

TIME: 1:26 PM

WSR 09-19-131

DATE: September 22, 2009

NAME: Linda K. Jekel

SIGNATURE

TITLE: Director, Division of Credit Unions, Dept of Financial Institutions

Agency comments or recommendation, if any, as to statutory language, implementation, enforcement, and fiscal matters:

Not applicable

Name of proponent: (person or organization) Department of Financial Institutions, Division of Credit Unions

- Private
- Public
- Governmental

Name of agency personnel responsible for:

Name	Office Location	Phone
Drafting..... Joanne Conrad	150 Israel Rd, SW, Tumwater WA 98501	(360) 902-8813
Implementation....Linda Jekel	150 Israel Rd, SW, Tumwater WA 98501	(360) 902-8778
Enforcement.....Linda Jekel	150 Israel Rd, SW, Tumwater WA 98501	(360) 902-8778

Has a small business economic impact statement been prepared under chapter 19.85 RCW?

Yes. Attach copy of small business economic impact statement.

A copy of the statement may be obtained by contacting:

Name:

Address:

phone ( ) \_\_\_\_\_

fax ( ) \_\_\_\_\_

e-mail \_\_\_\_\_

No. Explain why no statement was prepared.

This rule does not increase the administrative burden of the regulated financial institutions, but rather provides standards of prudent practice, to mitigate loss through policy development. The policy required in this rule is customized by each credit union to which it applies, and is an express statement of the practice and analysis in which each credit union should prudently engage. If a credit union does not have any OREO, it is not even required to draft an OREO policy; therefore small credit unions with limited real estate exposure will have few, if any, requirements as a result of the proposed rule.

Is a cost-benefit analysis required under RCW 34.05.328?

Yes A preliminary cost-benefit analysis may be obtained by contacting:

Name:

Address:

phone ( ) \_\_\_\_\_

fax ( ) \_\_\_\_\_

e-mail \_\_\_\_\_

No: Please explain: Not applicable to the proposed rule.