



Credit Union National Association

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**DANIEL A. MICA**  
PRESIDENT & CEO

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AUG 20 2007

DIV. OF CREDIT UNIONS

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DEPT. OF FINANCIAL INSTITUTIONS

OLYMPIA, WASHINGTON

August 14, 2007

The Honorable Linda Jekel  
Director of Credit Unions  
Washington State Department of Financial Institutions  
PO Box 41200  
Olympia, WA 98504-1200

Re: Discussion Draft on Proposed Rules for Alternative  
Share Insurance for Washington State Credit Unions

Dear Director Jekel:

Rarely does the Credit Union National Association file comments with a state regulator on a developing regulatory issue under its purview. However, in light of the fundamental issues the rulemaking process on alternative share insurance for Washington State credit unions has raised, and in close coordination with the Washington Credit Union League, we feel it is extremely important to provide our comments to you at this time. By way of background, CUNA represents approximately 90% of the nation's 8,400 state and federal credit unions which serve approximately 87 million members, including credit unions in Washington State.

#### CUNA's Policy

It should be no surprise that the efforts to consider alternative share insurance would raise the hackles of banking groups, as the comment letters from the American Bankers Association, Washington State Bankers Association, North Carolina Bankers Association and others demonstrate. Such groups routinely oppose any and all new policies that provide credit unions with additional flexibility or latitude to meet the financial needs of their members.

However, we are dismayed that some within the credit union system have failed to recognize what is really at stake in this rulemaking process - the viability of the dual chartering system and the ability of state regulators to effect independent, tailored decisions developed under a rigorous comment and review process.



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CUNA is a strong proponent of the dual chartering system, under which credit unions are free to decide, after careful analysis, whether they want to operate under the federal system of regulation or their state's regulatory oversight. This includes the ability to select or move to private insurance, as long as the credit union's members are fully informed of the implications of the change.

While there are costs and benefits associated with either federal or private insurance alternatives, CUNA has long held the position that credit unions should be able to make the choice for themselves. In order for credit unions to have a real choice, it is imperative that federal and state regulators be empowered to enhance the charters they supervise, consistent with legal constraints and safety and soundness requirements. Further, as a direct result of the fact that credit unions have this capability to choose between regulatory schemas, an essential check on the use of discretionary enforcement authority of both federal as well as individual state regulators remains in tact today – benefiting the entire credit union system.

#### Masked Arguments

A number of the arguments leveled against the proposal focus on speculative, future risks that might materialize in the event of problems with private insurance. They ignore the fact that the state statute places several restrictions on the implementation of private insurance, including a requirement for adequate reserves that are proportionately equal to the federal system. The statute also requires ongoing review of the private insurance system by the regulator.

In view of the limitations in the state law, we question whether such open charges are really masking an underlying distrust of state regulation, further undermining the dual chartering system.

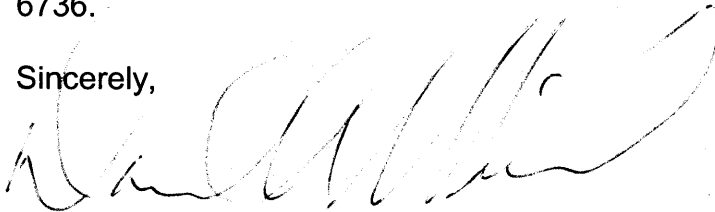
We also feel that another very essential point has been missed by a number of opposing commentators, namely that the Washington State Legislature in 1996 empowered the state regulator to implement private share insurance for state credit unions there. Your decision to proceed with a rulemaking process is consistent with the intent of the Legislature to provide a choice for share insurance under a well-crafted regulation.

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In our view, the process under which your department proposed private insurance for state credit unions has been robust and comprehensive, and we commend you for your efforts to afford interested parties more than one opportunity to express their views on the rulemaking. We also commend the approach the National Credit Union Administration took in its letter – which was not to oppose the proposal but to offer recommendations that it feels would strengthen the regulation of private insurance. While we do not concur with all of NCUA's recommendations, its approach is more productive than merely opposing the proposal.

In summary, CUNA strongly supports your efforts to implement the statutory provisions on private insurance in an appropriate manner, and we appreciate the opportunity to state our views. If you have questions or comments regarding our letter, please do not hesitate to contact me, CUNA's General Counsel Eric Richard, or Deputy General Counsel Mary Dunn at 202-508-6736.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel A. Mica", written over a light blue horizontal line.

Daniel A. Mica  
President and CEO

cc: Mr. John Annaloro, President, Washington Credit Union League  
CUNA Executive Committee

Enclosure

**POLICY OF THE CREDIT UNION NATIONAL ASSOCIATION  
ON DUAL CHARTERING AND SHARE INSURANCE SYSTEMS**

*(Adopted 2001, last reviewed and updated June 2005):*

CUNA is committed to a viable dual-chartering system and opposes any unnecessary restrictions on conversion from one system of credit union supervision to another system. NCUA and state supervisory authorities must act cooperatively. Actions taken by the NCUA Board on NCUSIF matters should be separate from those taken on NCUA regulatory and supervisory matters, although CUNA does not support two separate boards or dividing the agency into two agencies.

CUNA supports credit unions' ability to determine for themselves whether federal or private insurance is in the best interests of their members, with membership approval of a change in share insurance coverage based on full and fair disclosure to all members.