

May 25, 2007

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

Re: Alternative Share Insurance May 2007 Discussion Draft

Director Jekel,

The Washington Credit Union League appreciates the opportunity to comment on the Division of Credit Union's (DCU) discussion draft of the Alternative Share Insurance Regulations. The League believes that the promulgation of Alternative Share Insurance Regulations will serve both Washington consumers and Washington credit unions.

The League supports the DCU's decision to require applicants to provide information acceptable to the director, and granting the DCU regulatory discretion over the approval of a new share insurance provider. Formulaic standards that lack regulatory discretion will not result in the best assurance of consumer safety. The director is empowered by the State of Washington to exercise his or her judgment in matters pertaining to financial institutions. That skilled judgment, vetted by the executive and legislative branches of our state government can best be used to carefully weigh the merits of any share insurance applicants.

Further, providing the flexibility in the regulation for the director to use his or her judgment will allow and require alternative share insurance providers to be viable over the long term. As credit unions continue to evolve to meet the changing needs of consumers, and as the private share insurance market in Washington develops, additional measures of safety and soundness may emerge.

As RCW 31.12.015 states, the DCU's primary mission is to protect members' financial interests; providing an option for share insurance separate from that offered by the NCUA will do just that. Provided that an insurer is safe and sound, having the option to diverge from NCUA insurance can only strengthen the competition in the financial services industry, and therefore benefit the consumer.

A credit union that is insured by alternative share insurance will be subject to greater local control including legislative and regulatory controls. This will also enable Washington credit unions to be more responsive to the needs of their members. Increasingly over the years, and particularly since the passage of the USA PATRIOT Act, control over local financial institutions has been eroded in a continued shift toward federalism. The DCU has a proven track record of excellence and a thorough understanding of the local concerns, which will ultimately benefit Washington consumers.

Further, depending on the carrier selected for alternative share insurance, members of the credit union could enjoy more insurance than currently available under the National Credit Union Share Insurance Fund. The NCUSIF insures member funds in a particular credit union up to \$100,000. Alternative share insurance could have higher insurance limits, and/or different rules about account aggregation for insurance purposes.

Finally, alternative share insurance strengthens the dual chartering option. In order to have a vital credit union movement, it is important to maintain both state and federal charters as viable options. Credit unions need to be able to determine which charter will best serve their members' needs and pursue chartering under that system. Providing the option of alternative share insurance will strengthen the state charter, challenge the federal charter to improve and modernize, and maintain the state charter's viability in a rapidly changing regulatory environment.

Thank you for your time and consideration.

Mary Sroufe
Director of Regulatory Affairs
Washington Credit Union League