



State of Washington
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF CREDIT UNIONS

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April 2, 2014

Concise Explanatory Statement
Pursuant to RCW 34.05.325(6)

Promulgation of New Rule regarding reasonable compensation for credit union directors and supervisory committee members for their services.

Agency reasons for adopting the rule.

(RCW 34.05.325(6) (a) (i))

In 2013 Washington State Legislature passed SB 5302, Chapter 34, Laws of 2013, permitting Washington State chartered credit unions to determine the frequency of its board meetings; however, the board of directors must at a minimum, meet six times in a calendar year and must meet at least once a calendar quarter. The Department of Financial Institutions (DFI), Division of Credit Unions is responsible for regulating to protect the integrity of credit unions as cooperative institutions. The rule will provide guidance and oversight on when the Director of Credit Unions will require credit union board of directors to meet on a more frequent basis.

Describe differences between the text of the proposed rule as published in the register and the text of the rule as adopted, other than editing changes, stating the reasons for differences.

(RCW 34.05.325(a) (ii))

None

Summary of comments received by DFI during the rulemaking process, and DFI's responses to the comments.

(RCW 34.05.325(6) (a) (iii))

1. Written comments received: Prior to publishing the CR-102 and text of the proposed rule on February 5, 2014, DFI met with stakeholders at two teleconferenced meetings

on November 26, 2013 and January 23, 2014. All materials relevant to these meetings were published on the Division of Credit Union's rulemaking website. During this time period, the following comments were received and posted. See the attached two comment letters.

Rulemaking Comments

- a. Parker Cann submitted several suggestions in Track Changes to the draft rule to clarify the language in sections 3 and 4. His suggestions were sent to us on January 7, 2014 and were regarding draft #2 of the proposed rule. We agreed with most of his suggestions. Those suggested changes he requested that weren't made, didn't warrant changing because we believe the original draft wording was satisfactory.
- b. Bruce Pearson of Styskal, Wiese & Melchione, LLP made request to change three sections of draft 1 of the proposed rule. His requests were sent to us on November 27, 2013 and impacted the following three sections: (1) Section (1) (iv); (2) Sections (1) (v) and (vi) and (3) Section 2.

Pearson's requested changes to Section (1)(iv) - We changed the draft rule to reflect Pearson's first request, which reads, "Reference was made at the November 26, 2013 hearing that a "troubled institution" is defined by 12 CFR 701.14. Can a specific reference be added for clarity?" The specific reference Bruce Pearson requested was added to the rule.

Pearson's requested changes to Sections (1)(v) and (vi) - Pearson asked that the rule state that an "unsafe or unsound practice" and a "significant supervisory concern" would likely be determined as part of exam. His suggested change was not made, because we believe it unnecessarily limits how an "unsafe or unsound practice" or a "significant supervisory concern" could be determined. Note: Not all "unsafe or unsound practices" or "significant supervisory concerns" are found as part of an examination.

Pearson's three requested changes to Section 2 - Pearson requested that we make changes regarding the Division Director's notice to the credit union board of directors. His suggested changes were not made, because they requested specific information be required in the notice, which would limit the usefulness of the rule. For example, Pearson requested that the credit union's board of directors cannot be required to meet more than monthly. We determined this change would limit the effectiveness of this rule, because in times of financial distress and/or severe operational concerns a credit union's board of directors may need to meet more frequently. His other request changes were similar in

nature, and we felt his changes in Section 2 would limit the effectiveness of the rule.

2. Oral Comments received during the public hearing held January 7, 2014:
 - a. Chuck Zeller, President/CEO of United Health Services Credit Union, who expressed his support of the rulemaking and his appreciation of being able to participate in the process.
3. No Written Comments were received during the public hearing or on or before the March 24, 2014 deadline.
 - a. The final language of the proposed rule remained the same as published in the CR 102.

CONCLUSION

The proposed rules provide regulatory guidance, clarity, and consistency. DFI made the proposed rules available to all interested parties for a prolonged review period, and the proposed rules were discussed at two stakeholder meetings in additions to the formal CR-102 hearing on the rule. All information on the rulemaking process; the draft rules, the written comments, and the hearings were timely posted to the DFI website. The final proposed rule is the product of an open, deliberative process.