

Linda:

Thank you for the opportunity to submit suggestions for rule development for Directors and Supervisory Committee compensation.

Your overview of the potential corporate governance implications around the nomination and election process, bylaws, board and supervisory committee member qualifications and, disclosure to credit union members was informative and useful. At WSECU our Board and Supervisory Committee have open and disciplined practices around those elements of credit union oversight and governance. It is encouraging to have them validated by the DFI discussion. We can see the challenges compensation may add when strong practices are not in place.

From the June meeting I understand the new provisions in statute close with “The director may adopt rules to interpret this section”. The primary question asked was whether direction from the Department of Financial Institutions will be in the form of rules or only guidance. Rules offer the ability of being more enforceable.

Our Board had strong reservations around the compensation provision of the legislation. They ultimately chose a neutral position as opposed to either full opposition or full support because of this very issue. For them, volunteer board service is a time honored tradition for credit unions, a defining and distinctive difference from for-profit banks. The WSECU Board remains concerned that this shift in our industry may not be seen in a favorable light by members or other financial institutions. The law has passed, however, and so we offer input on its implementation understanding that for some credit unions, compensation of board members is an important issue. Because this is a new practice for Washington credit unions we would encourage being conservative and structured initially. We believe other credit unions share WSECU’s values and will also approach this thoughtfully; however, what one credit union may do will affect all.

In order to maintain that credit unions are cooperatives, we recommend that there be one simple rule: an annual compensation limit of no more than \$12,000 with the requirement that all compensation be expressly disclosed to the membership through written notification on an annual basis and be published in its annual report. This would place the accountability where it should be and reflects appropriate transparency to the credit union’s member-owners. . We would support that all other items related to nomination, elections and bylaws should be provided in the form of guidance.

Again, thank you for the opportunity to provide input and we look forward to the process.

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