Washington Mutual

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Tony Goulart, III
First Vice President & Manager - Financial Reporting

Controller's Group
999 Third Avenue, 8th Floor
P.O. Box 834 - FIS0803
Seattle, WA 98111

(206) 461-4622 direct phone
(206) 377-6563 fax

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Information Collection Comments
Chief Counsel Office
Regulations and Legislation Division
Office of Thrift Supervision
1700 G Street, NW
Washington, D.C. 20552
Attention: 1550-0023

RE: TFR Revisions, OMB No. 1550-0023

Dear Sir or Madam:

We submit this letter in response to a request for comment by the Office of Thrift Supervision ("OTS") regarding proposed changes to the Thrift Financial Report ("TFR"). These comments relate to the OTS's proposal to require additional information on the TFR, including Schedule CSS (Subordinate Organization Schedule) and Schedule SI (Supplemental Information), and to accelerate the general filing deadline for the TFR, including Schedule CSS and Schedule SI, as well as the special deadlines for Schedule HC (Thrift Holding Company) and Schedule CMR (Consolidated Maturity and Rate).

I. Summary

Washington Mutual Bank, FA and Washington Mutual Bank fsb (collectively "Washington Mutual") support the OTS's efforts to improve the financial reporting and disclosures of savings institutions. The OTS needs to receive timely information of sufficient detail and accuracy to evaluate effectively the institutions it regulates. However, the preparation and submission of information to the OTS results in a significant expense to the industry. The OTS in recent years has required more information from all institutions because such information may be helpful with regard to some institutions. Additional requirements would result in unnecessarily higher costs for the industry. We believe, however, that by coordinating the examination process and the TFR content requirements the OTS could both receive the information it needs and reduce the reporting burden on most of the industry. This could be done by designing the TFR so that core data is required from all institutions and expanded information could be required based on the examiners' findings or concerns. A good example of this approach is the proposal to expand collection of data on subsidiaries which is discussed in more detail later in this letter.

The OTS states in its proposal that with technological advances over the past several years, savings institutions have the ability to receive data from their data service providers and from their holding companies on a timelier basis and transmit it conveniently through the Electronic Filing System software provided by the OTS. The scope of disclosure requirements and the complexity of accounting rules, however, also have substantially increased during this time. Likewise, the complexity of the business environment, transactions and products has grown in step with technology. Although technology has streamlined the quantitative collection of this information, it does not alleviate the amount of time required to provide a thorough analysis of that information. Much of the financial reporting and analysis process remains labor-intensive, requiring support from numerous people in various departments, including review of the information by managers at numerous levels before the TFR can be filed with the OTS. The proposed requirements for additional information, as well as the accelerated filing requirements, would necessitate substantially increased labor by many people.

In addition, some of the information that the OTS proposes to require is not the kind of information that savings institutions already have automated systems to input, aggregate and report. As a result, the technological advances, to which the OTS referred in its proposal, have not yet significantly facilitated the collection and reporting of such information.

In brief, the OTS has proposed to require significantly more information in significantly less time. Therefore, we request that the OTS reconsider its proposal and refrain from imposing costly and burdensome reporting requirements on all savings institutions, unless the OTS has ascertained that each of these requirements would generate commensurate improvements in the supervision, safety or soundness of each of these savings institutions.

II. Specific Concerns about Additional Information

The OTS's proposals include requirements for a large amount of information that has previously not been included in the quarterly TFRs. We believe that these requirements should be carefully reviewed to ensure that the information would truly be helpful to the OTS.

1. Quarterly Reporting about Subordinate Organizations

For example, the OTS has proposed to require quarterly updates of the current annual TFR disclosure of detailed financial and operational information for each subordinate organization with annual gross revenues in excess of $1,000. This standard would require Washington Mutual to update the information on potentially more than 100 subsidiaries every quarter.

The $1,000 annual gross revenue standard is, in practice, too stringent for quarterly or annual reports. We believe, however, that the fixed dollar amount of the threshold is both too low and too inflexible. Therefore, we believe the OTS should increase the standard and would recommend that the standard might most appropriately be a percentage of the revenues of the reporting institution, such as 1% of revenues or, if the OTS needs all this information about a larger group of organizations, then a smaller percentage of revenues.

Alternatively, we would encourage the OTS to consider requiring a quarterly disclosure about each subordinate organization that "significantly affects, or has the potential to significantly affect, the operations of the savings institution" (the "Significant Affect Standard"). OTS examiners already have used this standard to identify subordinate organizations about which additional information is required on an institution's Subordinate Organization Questionnaire (the "SO Questionnaire").

The SO Questionnaire is part of the Preliminary Examination Response Kit that an institution completes prior to the beginning of an examination. After reviewing the institution's answers to the SO Questionnaire, the OTS examiners on site may decide that the institution needs to provide information about additional subordinate organizations. By the end of an OTS examination, the institution has a comprehensive list of subordinate organizations that OTS examiners have identified as being significant to the institution.

If the Significant Affect Standard were applied to the TFR, it would align the standard for information about subordinate organizations in TFRs with the standards for significance in the OTS examination process. We agree that the OTS may find quarterly information about such subordinate organizations to be useful. Thus, adoption of the Significant Affect Standard for the TFR would avert the need for preparation and review of information that has little, if any, utility to the OTS. If there is any doubt as to whether the OTS examiners' judgments accurately reflect the supervisory concerns underlying the TFR requirements, then the OTS could establish a regular communications link (a "Feedback Loop") between OTS examiners and OTS financial reporting staff.

In the period after an examination, a savings institution may acquire or establish new subsidiaries. In the absence of a judgment by OTS examiners as to the significance of such subsidiaries' activities, the OTS may appropriately require quarterly reports about them, until the date of the next examination.

The acquisition or establishment of new subsidiaries is always preceded, however, by the filing of a notice with the Regional Office under 12 C.F.R. 559.11. If the OTS has established a Feedback Loop between Regional Offices and financial reporting staff, then the new subsidiaries about which the OTS requires quarterly reports may appropriately be limited to subsidiaries that the Regional Director has identified in response to that notice. The OTS letter to the institution with regard to their acquisition or establishment could specify whether quarterly reports on Schedule CSS regarding the new subsidiary will be necessary.

2. *Additional Information about Transactions with Affiliates*

The OTS also proposes to require additional memorandum information on transactions with affiliates, including the payment of management fees by savings institutions. Neither Washington Mutual Bank, FA nor Washington Mutual Bank fsb pay any management fees to "affiliates," as defined in 12 CFR 563.42(d)(1), the section of OTS regulations that regulates the payment of management fees. Both Washington Mutual Bank, FA and Washington Mutual Bank fsb pay management fees to a subsidiary of Washington Mutual Bank, which is excluded from the definition of "affiliate" in 12 CFR 563.42(d)(1).

As a standard to identify all the affiliate transactions about which to require information, however, the OTS has proposed to use the definition of "affiliate" in 12 CFR 563.41(b)(1), which does not apply to the payment of management fees. The utility of some of the information that would be reported to the OTS according to this definition is unclear. The payment of management fees is not governed by 12 CFR 563.41(b)(1) or by Section 23A of the Federal Reserve Act (12 U.S.C. 371c), on which the OTS regulation at 12 C.F.R. 563.41 is based. Accordingly, we request that the OTS clarify, in the instructions to Schedule SI, that information about management fees paid by savings institutions is required only if the payment flows to an "affiliate" as defined in OTS regulations at 12 C.F.R. 563.42(d)(1). The effect of this change would be that information would not be required with respect to management fees that are paid to a sister savings institution or its subsidiaries.

Washington Mutual has developed procedures to gather the information that is necessary to monitor the aggregate amount of "covered transactions" with affiliates, as required for compliance with 12 CFR 563.41(a). The central staff that monitors affiliate transactions (the "Controller's Group") distributes a quarterly request for information ("RFI") to those managers and staff who may have information with respect to such transactions. The quarterly RFI currently focuses on covered transactions, and a listing of contracts with affiliates. Adding additional requirements for information proposed by the OTS will greatly complicate quarterly RFIs and, thus, will distract attention from the provision of essential information regarding covered transactions. We request that the OTS refrain from implementing new requirements that may retard the provision of, or lessen the accuracy of, such information about covered transactions.

The large-scale financial operations that characterize the modern thrift industry necessarily involve a significant number of managers and staff. As a result, the requested information about affiliate transactions would need to come from numerous managers and staff members, necessitating a significant quarterly effort for them.

The proposed OTS requirement also would result in increased work for the Controller's Group. The Controller's Group would need to incorporate the new requirements into the quarterly RFI that is sent to the managers and staff. The Controller's Group also would need to combine and evaluate the information that it receives in response to the RFI, as well as to accumulate the items that would come from the general ledger about intercompany payments and eliminations.

In its proposal, as noted above, the OTS stated that technological advances have enabled savings institutions to receive data from their data service providers and from their holding companies on a timelier basis and transmit it conveniently through the Electronic Filing System software provided by the OTS. So far, however, these technological improvements have not streamlined the quantitative collection of some of the information that the OTS has proposed to require with regard to affiliate transactions. Many of these procedures currently involve the manual entry of data, for example. As a result, our procedures to report such information have not benefited significantly from the technological advances to which the OTS referred in its proposal.

3. *Other New Data Collection Requirements*

The examples that are described above are illustrative of the difficulties arising from new information requirements in a large financial services organization. Because the OTS has not explicitly stated why some of the proposed requirements are necessary to fill information gaps in the TFR, it is difficult to comment on these proposed requirements.

We request that the OTS review the proposed requirements to ensure that the requirements currently in place are not incrementally expanded without a thorough analysis of the need for each incremental addition.

III. Specific Concerns about Accelerated Filing Deadlines

The OTS has proposed to decrease the preparation time for Schedule HC and Schedule CMR from 45 days to 30 days, and the time for the rest of the TFR from 30 days to 20 days. Accelerating the filing dates as proposed would be very burdensome for the savings institution industry. We believe this proposal will not provide sufficient preparation time to conduct the necessary analysis and review of the mandated information.

The following points illustrate why the shortened filing deadlines would be problematic:

1. *Collecting data is time-intensive*. The complexity of our institution and the level of analysis that we apply to our financial information require the collection, review and verification of large amounts of data. The extraction of information for the TFR generally cannot be started until after the sixth business day following the end of the quarter.

2. *Reconciling the data is time consuming*. For purposes of Schedule CMR, Washington Mutual uses a specialized database (the "Data Warehouse"). The reconciliation process commences after the information is transferred from our loan systems, deposit systems and other data systems into the Data Warehouse. After this transfer, we must reconcile the information in the Data Warehouse to our general ledger or other financial information sources. This process of reconciliation, along with certain other data integrity procedures that we perform, requires approximately one week to complete.

3. *Validating and comparing the results to prior quarters are also time-consuming*. Financial results are validated by analyzing the factors that caused the results to change from the previous quarter and by performing various other analyses.

4. *Complying with other reporting deadlines is staff-intensive.* Washington Mutual Inc. and its subsidiaries devote significant resources to the preparation of reports to the Securities and Exchange Commission, OTS and Federal Deposit Insurance Corporation. To maintain operational efficiencies and to ensure consistency, Washington Mutual relies on the same information providers for the financial data to be reported timely and accurately to the Securities and Exchange Commission, OTS and Federal Deposit Insurance Corporation.

Overall, our process does not allow for most of this information to be gathered, analyzed and reviewed by management within a 20-day period, and the process for Schedule CMR requires more than 30 days. To accelerate the filings as proposed, we would need to significantly reduce the amount of time provided for management to review the information. Accordingly, we believe the implementation of this accelerated time frame could have a negative effect on the quality of our reported information.

The OTS proposal to accelerate the filing schedules conflicts with the OTS proposal to require that additional information be filed. The adoption of such requirements for additional information would require more time to quantify, assemble and review the newly required information. The impact on Washington Mutual would be a need to hire staff to comply with the new disclosure requirements and accelerated filing dates.

IV. Conclusion

We understand that this proposal is in keeping with the OTS's goal to require savings institutions to provide more TFR data on an accelerated reporting schedule. However, we believe that this proposal to accelerate filing deadlines, increase disclosures and increase the frequency of disclosures, if implemented in its current form, would likely lead to a degradation in the accuracy and reliability of savings institutions' reported information. We strongly believe that no acceleration of the filing deadlines for the TFR should be adopted.

We hope that the OTS will find these comments useful and would be pleased to discuss our views with members of the OTS staff at their convenience.

Very truly yours,

Tony Goulart, III

Tony Goulart, III
First Vice President & Manager
- Financial Reporting