



**Credit Union National Association
2009 Governmental Affairs Conference**

Remarks by

*The Honorable Christiane Gigi Hyland
Board Member
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At

**The Washington Convention Center
Washington, DC**

Tuesday, February 24, 2009

Good morning.

The band U2 has a song entitled *All Because of You*. The chorus proclaims: “All because of you, I am.” Before you stands a credit union member. All because of you, I am. You provided me the means to attend college and law school. You provided me a loan to buy my first, second and current car. You helped me transition from a renter to a homeowner. You offer me a myriad of ways to access my accounts and manage my finances. The decisions I make on the Board ultimately affect me because I too am a credit union member. So, I understand how difficult it will be to explain to your members that even though you have done nothing wrong, you and your members are being asked to pay for problems affecting another part of the credit union community, specifically, to pay for the Corporate Stabilization Program the NCUA Board recently implemented.

75 years ago, during a time of deep economic turbulence and distress in this country, the system of cooperative finance we know as credit unions was born. Through the years, the community of credit unions has grown and expanded to encompass a wide range of products, services and relationships

to respond to members' financial needs. This expansion includes changes that permitted share drafts, created the National Credit Union Share Insurance Fund (the NCUSIF or Fund), established corporate credit unions and credit union service organizations and legitimized fields of membership that encompass multiple groups. Each era has presented the credit union system with its own set of challenges. Each time the system has overcome the challenges by working together cooperatively and openly and the system became stronger as a result.

Today, the credit union community faces a new set of challenges. Corporate credit unions are facing unprecedented strains on their liquidity and capital due to credit market disruptions and the current economic climate. On January 28th, the NCUA Board implemented a strategy to address the issues facing the corporate system, with three primary objectives:

1. Maintain liquidity;
2. Strengthen capital; and
3. Restructure the existing corporate system.

Since the approval of the Corporate Stabilization Program, I have openly engaged many of you in dialogue both to explain NCUA's actions

and to explore other viable options. Over the past month, many webinars and discussions have been held to address operational, accounting and examination questions related to the Program. I'm certain you still have questions and I'm willing to answer them. In fact, this afternoon, my Board colleagues and I will host a reception here in the convention center. I encourage you to come by and talk to us, one on one. Dialogue between NCUA and credit unions is essential and always healthy. It may not always be to our mutual satisfaction, but it is always healthy.

There are three things I'd like to offer for your consideration this morning.

First, as the NCUA Board member who has worked in the credit union community, my understanding of the implications and impact of the Corporate Stabilization Program is deep. My current role as a regulator and insurer requires me to focus, first and foremost, on the safety and soundness of your institutions and the credit union system. In the context of the Corporate Stabilization Program, this meant choosing the strategy which I believe is currently the least-cost option to the credit union system.

However, discussions at this conference and within the credit union system are generating alternatives to fund the capital note and guarantee of all corporate shares. I will continue to devote my energy to exploring and pursuing all viable solutions to the issues facing the credit union system. I also pledge to assure NCUA operates in as transparent a manner as possible and that you are provided with as much information from the agency as you need to make your own decisions as this process moves forward.

Transparency in policy making is as important as policy.

Second, the opportunity to shape the future is in your hands. As part of the Corporate Stabilization Program, the NCUA Board issued an Advance Notice of Proposed Rulemaking or ANPR. From my perspective, the top three issues that require evaluation are capital, management of credit and liquidity risk and corporate governance.

The right level of capital within corporates has been debated for quite some time and it is imperative that the issue be resolved. For example, should a new capital ratio consisting only of core capital be created and what would be an appropriate level to require? Should a corporate limit its services only to members maintaining contributed core capital with the corporate?

Credit and liquidity risk management are equally critical issues. Should the reliance on how securities are rated be minimized in NCUA's rules? Should concentration limits by sector and obligor be implemented? On corporate governance, should natural person credit unions have representation on a wholesale corporate's board? Should a new category of "outside" director be created for corporates which would bring particular expertise to their boards?

Please take the time to comment to NCUA. Tell us what role corporates play in helping you serve your members; how and why you do or don't rely on their products or services; and, how you see corporates playing a part or not in the execution of your credit union's strategic plan. I want to assure you I read every comment letter and your comments inform the policy decisions I make.

Third, it is the cooperative nature of the credit union system that has helped credit unions serve their members over the years. Through economies of scale and responsiveness to member needs, credit unions have used corporates to provide liquidity for loans, receive good rates of return on their investments, facilitate check processing, and enable large volume, highly-

efficient and reliable automated settlement transactions. It is this system that makes it possible for thousands of credit unions to meet members' financial needs. Corporates ultimately exist because of you.

Credit unions must work together as a cooperative system to overcome these current challenges. It is because this is a system that it works so well. At this critical time in our history, it is the power of the system that will determine the future for both corporates and natural person credit unions. I trust that as long as the cooperative spirit of credit unions is strong, credit unions will not turn their backs; you will not cut and run.

To paraphrase President Obama in his Inaugural Address, credit union leaders must have a willingness to find meaning in something greater than just their individual credit union. Together, the credit union system—corporates and natural person credit unions alike—must prepare to meet the challenges of this new age. As credit unions have been an example of good, solid lending principles and service to members, let credit unions also be an example of a segment of the financial services industry that is united in its purpose. I believe in credit unions and their importance to members and communities. I believe the cooperative, not-for profit model is as meaningful

today as it has ever been, and it needs to carry on to help foster this nation's economic recovery.

Take heart. Be tough. Have hope. By working cooperatively and openly in our respective roles of regulated and regulator, credit unions can and will weather the current storm.

Thank you for listening.