



**Credit Union National Association
2008 Governmental Affairs Conference**

Remarks by

*The Honorable Christiane Gigi Hyland
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At

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Thank you for that kind introduction, Paul.

Good morning! It's great to be with you here today. Without a doubt, this conference is always one of the highlights of the year. It's a thrill to be in this new location for the GAC. Congratulations to CUNA on all its efforts to make this new meeting space so welcoming for attendees.

Today, I'd like to talk with you about a report that was issued last Tuesday by NCUA's Outreach Task Force. The report represents the culmination of a year's worth of work to review the recommendations from NCUA's 2006 Member Service Assessment Pilot Program (MSAP) and from GAO's 2006 report on the transparency of who credit unions serve and executive compensation arrangements.

The Outreach Task Force Report makes 12 recommendations to the NCUA Board in 4 areas: Membership profile and financial services; senior executive compensation; low-income definition; and NCUA outreach. I want to underscore that these are recommendations to my colleagues on the NCUA Board. They will need to review and consider them. Then, as a Board, we

will need to decide what action to take on the recommendations. Two of the twelve recommendations would require a change to NCUA's Rules and Regulations. If those recommendations are adopted, NCUA would follow its standard rulemaking process to solicit public comment. The other recommendations would not require a change to the rules. Those recommendations, if accepted by the Board, could be implemented more quickly by the agency.

I'd like to talk about the process that the Task Force went through to develop its recommendations and then talk about the actual recommendations. The Task Force collected and assessed a great deal of internal NCUA information including:

- NCUA's current outreach programs as well as the results of a survey to all field staff on the extent of their involvement in outreach;
- the formula used to determine if a credit union qualifies for a low-income designation;
- issues related to the collection and transparency of executive compensation; and
- NCUA's role and efforts regarding credit union service to all members within their fields of membership, including collecting data on membership profiles and financial services.

While compiling the internal information, the Task Force believed it was equally critical to receive external input from credit unions and other

interested parties. To solicit that input, we hosted a series of six Town Hall meetings covering a geographic cross section of the United States:

Cincinnati; Boston; New Orleans; Los Angeles; Denver; and, Washington, D.C.

Let me turn to the recommendations and how the Task Force incorporated the feedback from the Town Hall meetings into the recommendations. First, I'll review the recommendation to collect membership profile and financial services data.

On data collection, Town Hall meeting participants uniformly expressed three concerns: increased regulatory burden, new regulatory requirements, and data interpretation. They also expressed the belief that if data were collected, it would show FCUs are serving their fields of membership.

The Task Force recommended NCUA:

- Collect membership profile data through the AIRES examination process. This is a seamless process through the regular exam that poses no burden on FCUs. Equally important, although the information is collected using AIRES during an examination, it would not be used by examiner staff to assess the CAMEL rating or the risks of the FCU;
- Collect financial services data on the 5300 Call Report. This would involve a change to the Call Report, but it would be minimally

burdensome on FCUs since the recommendation is to have a checklist of products and services that FCUs could select as applicable to their particular operation and field of membership;

- Publish aggregate data on membership profile and financial services in the NCUA Annual Report or other publications. This would not result in any burden on FCUs; and
- Develop a means for each FCU to obtain its proprietary membership profile data from NCUA.

To summarize the recommendations on data collection, no burden would be imposed if data were collected on the membership profiles of FCUs.

A minimal burden would be imposed for collection of financial services information from FCUs through the 5300 Call Report. And finally, NCUA would publish aggregate, not individual FCU, data on these two subjects.

Let's discuss collection of senior executive officer compensation information. Town Hall meeting participants had four concerns: privacy, regulatory burden, the necessity of collecting the information and providing context. Many participants acknowledged that members have a right to know the information. Participants also discussed the transparency requirements of other financial institutions, including state-chartered credit unions, publicly-traded corporations and other not-for-profits and non-profit organizations.

The Task Force recommended NCUA:

- Collect FCU and federal corporate credit union senior executive officer compensation during the examination, and then use AIRES and the Corporate Examination Database to capture the information. This would pose minimal burden on natural person and corporate FCUs;
- Publish aggregate data on senior executive officer compensation in the NCUA Annual Report or other agency publications. Again, this would not add any additional regulatory burden; and
- Promulgate a regulation requiring FCUs and federal corporate credit unions to annually disclose individual senior executive officer compensation to their members.

This last recommendation would require natural person and corporate FCUs to annually disclose to all of their members the compensation of their senior executive officers. The Task Force had to balance concerns about privacy with the equally compelling public policy considerations that most financial institutions, not-for-profits and nonprofits disclose compensation. The Task Force concluded that an annual disclosure of compensation should be required but FCUs need to have the flexibility to provide context about the compensation and to choose when and how the disclosure to all members should be made.

Let me conclude with a brief discussion of the last two areas covered by the Task Force recommendations. We recommended that NCUA revise its rules to replace Median Household Income (MHI) with Median Family Income (MFI) as one of the standards for qualifying a credit union as low income.

This is the second recommendation that would require an actual rule change. We also recommended including a grandfather provision of five years allowing adequate transition time for any low-income credit union failing to qualify under the MFI standard.

Regarding outreach, the Task Force recommended NCUA:

- Expand its outreach program(s) to include a broader spectrum of credit unions serving, or having the ability to serve, members of low or moderate income;
- Emphasize increased regional involvement in the implementation of outreach policies; and
- Improve its oversight of Community Development Revolving Loan Fund programs.

That's a summary of the recommendations.

I want to thank each member of the Task Force for the tremendous work, dedication and commitment to this effort. They assessed these issues independently and thoroughly. We had vigorous debate and we came to consensus, not because I chaired the Task Force, but because of our mutual commitment to craft recommendations based on sound public policy considerations. Many of the Task Force members are here today and I'd ask that you give them a round of applause for their effort.

For those of you who have heard me speak before, you know I am passionate about credit unions. I believe in the difference you make in the financial lives of consumers. I've said it before and I'll keep saying it, "If you believe in credit unions, you have to believe in the members."

The Task Force report reflects that continued belief and congressional reaffirmation that federal credit unions have a distinct role in the U.S. economy and that they have a continuing obligation to meet the financial services needs of all of their members, especially people of modest means. In addition, the report balances the external comments with the public policy considerations inherent in all of these issues. I urge you to read the report, share it with your management and boards of directors and to provide me and my Board colleagues with your comments and questions about the report.

In closing, this afternoon at 4:45, my colleagues and I will be hosting a reception here in the convention center. We encourage you to come by.

Dialogue between the regulator and the regulated is always healthy. It may not always be enjoyable, but it is always healthy. Chairman Johnson and Vice Chairman Hood will both be there, as will each of our Regional Directors and other senior staff. If you have an issue in your particular region

that you would like to discuss with a representative of NCUA, we will be available to visit with you this afternoon.

Thank you for the opportunity to speak with you this morning.