NATIONAL CREDIT UNION ADMINISTRATION
BOARD MEMBER

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REMARKS TO THE
NATIONAL ASSOCIATION OF FEDERAL CREDIT UNIONS
CONGRESSIONAL CAUCUS

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Good morning.

You have been in Washington, D.C., these past four days fighting for the future of credit unions. You were here to shape the debate and ensure that all members of Congress know the impact, positive or negative, their votes will have on credit union members. Advocacy at the legislative and regulatory levels is critical to creating an environment in which credit unions thrive.

During my tenure on the NCUA Board, time and time again I have seen the positive effect of your advocacy on our rulemakings. Your comment letters to the agency often refine my policy positions. So much so, in fact, that there are instances when I chose not to support a final rule because of the real-life consequences and burden it would place on credit unions to comply. Most recently, the proposed CUSO and Loan Participation rules come to mind.

That said, NCUA—as an agency, as a regulator, as an insurer—recognizes that we should not drive you to be completely risk averse. You need the room to pursue avenues of growth; our job is to make sure that you do so safely and soundly, and in a manner that appropriately manages risk. Our examination and supervision efforts will continue to focus on how credit unions do to manage their changing risk profiles. Your job is to continue to advocate for balanced rulemaking. Your comment letters are an important strategy to execute in your fight for the future of credit unions.

However, I believe that the fight for the future of credit unions encompasses a great deal more than advocacy alone.

It includes things like making sure your members care that you exist. It includes empowering their financial lives so that they can make good, educated decisions on reaching their financial goals. It includes making a difference in the communities in which you are located, so that you act like and are perceived as a good corporate citizen. Fighting for the future of credit unions includes dozens of small actions that foster good will with your members, so that they, in turn, will want to fight if their credit union is threatened.

In the July issue of the *NCUA Report*, I wrote an article entitled "Reputation Repair." It was based on a June 7th *American Banker* opinion piece by editor-at-large Barbara Rehm. She opined, "rebuilding the [banking] industry's reputation is going to take a lot of work from a lot of people, but it is doable. The sooner bankers realize that, the better."

The article goes on to quote Steve Bartlett, the soon-to-retire head of the Financial Services Roundtable. In discussing what should be done to improve the banking industry's reputation, he stated, "We have to improve our image through good old-fashioned, traditional ways. We have to speak clearly, treat our customers fairly, communicate to regulators, tell our own story and do things right."

Gee, that sounds an awful lot like what credit unions already do. For me, Ms. Rehm's article is a cautionary tale for credit unions. While credit unions have reaped the benefit of the public's low opinion of banks over the past several years, a concerted publication relations effort and service outreach by the banks may—I said, may—be able to reverse that. Even if banks do nothing, credit unions' own actions or inactions could risk their reputation. To the extent credit unions become more "bank-like" in the fees they charge or if you limit lending to only the members with the highest credit scores, you run the risk of losing your reputation. In my opinion, there's nothing "old-fashioned" about meeting the member where she or he is in life and serving that financial need. That's why credit unions exist, and you need to remember that straight-forward mission.

NCUA is not a disinterested party on the sidelines when it comes to the future of credit unions. While the agency's role is primarily that of regulator and insurer, we have taken huge strides to better inform the public about credit unions, share insurance, and consumer rights like fair lending and equal credit opportunity.

One example is the MyCreditUnion.gov website. Under my leadership, the site was translated into Spanish to respond to the needs of Hispanic consumers. More recently, we have made changes to our Office of Small Credit Union Initiatives to make more services and information available on a "self-serve" basis. We have also notified over 1,000 credit unions about their eligibility for low-income credit union designation, and 553 of them have already opted in to become a low-income credit union. And, at the next Board meeting, we will consider a proposed rule increasing the asset threshold that defines "small credit union." If finalized, this change may provide regulatory relief to smaller institutions.

The agency's role also includes the accumulation of data. We recently issued aggregated second-quarter Call Report data.

The information shows continued positive trends. For example, ongoing gains in membership at credit unions continued. In all, membership increased by 643,322 individuals to reach a new record high for the industry. The industry's 93.1 million members deposited an additional $2.7 billion in savings at credit unions.

Credit unions booked $581.7 billion in outstanding total loans in the second quarter—a robust increase of 1.7 percent and higher than the 1.4 percent loan growth booked by banks during the same period. Total loans by credit unions have increased for five consecutive quarters. Loans for first mortgages increased by 1.7 percent, while new and used auto loans each rose by 2.8 percent.

During the second quarter, member business lending increased by 1.2 percent to $40.2 billion. Additionally, short-term small loans grew by 23.9 percent to $16.7 million. The product is a low-cost, consumer-friendly alternative to payday loans. At next week's Board meeting, we will be considering the issuance of an advanced notice of proposed rulemaking to refine the parameters of the agency's short-term, small dollar loan rule.

Credit unions' total assets—which surpassed $1 trillion for the first time in the preceding quarter—grew by $5.9 billion in the second quarter. The net worth ratio, a measure of the industry's capital strength, was 10.16 points, an increase of 15 basis points over the first quarter.

Increases in fee income and other operating income, accompanied by declines in expenses for interest and loan losses, produced a higher quarterly net income. During the second quarter, credit unions earned $59.7 million more than in the prior quarter. The industry's return on average assets (ROAA) ratio, an important measure of industry earnings, was 86 basis points for the quarter. ROAA rose by one basis point over the prior quarter.

Despite continued economic uncertainty, credit unions are better off than they were just a few years ago. The system has steadily recovered from the difficulties of 2008 and 2009. I believe the future is bright for the credit union system, but I also believe it will take continued vigilance, innovation and hard work to assure that credit unions thrive long into the future. I wish you all the best in that effort.

Thank you for listening.