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Remarks of Michael E. Fryzel  
Board Member  
National Credit Union Administration  
at the  
Credit Union National Association's  
2013 Governmental Affairs Conference

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Washington, D.C.

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## Remarks

Good morning. It's a pleasure to be a part of welcoming you to Washington. For more than 200 years, this city has welcomed visitors from around the country to discuss, debate, and do the nation's business. By virtue of free debate, one hopes to allow the best ideas to rise to the top, spread and prosper for the benefit and uplifting of the nation's citizens. This of course, is the work of elected representatives. But it is also the work of you in this hall.

You have joined the debate; you are part of the effort to make the best ideas rise to the top. You didn't come here for your own advancement; you didn't come for personal profit or better legislative treatment of stock options. You came for the credit union members who freely associate to lend money to one another for the uplifting of all. Decades ago, you assembled for people who made loans to one another for refrigerators or washing machines. Now it might be tractors, a house or a start-up computer software business. You are here for your friends and your communities, your fellow teachers, telecommunications workers, nurses, police and firefighters.

You must tell your elected representatives you are here not for yourselves, but for these credit union members back home. Congressmen and Congresswomen in this city are used to hearing from trade associations that have been organized to make more profits to benefit oil companies, manufacturers, finance companies — not from cooperatives such as yours that treat every member no matter his or her financial standing as an equal vote in elections and answer to the people those cooperatives serve.

This is the fifth time I have had the pleasure of addressing you at the Credit Union National Association's Governmental Affairs Conference as a Board Member of the National Credit Union Administration. To serve on the NCUA Board, as both Chairman and a Board Member, has been an honor. I have met some of the most dedicated people in the financial services industry, people who care deeply about their members and go the extra mile to help them and their families.

Since the beginning of my term on the Board, I have spoken to credit union groups across the country. I have visited credit unions. I have met with the two national trade associations numerous times. I have worked as the Board liaison to the National Association of State Credit Union Supervisors and the Defense Credit Union Council. I have met with dozens of state leagues. I have spoken to thousands of credit union members, the people you work for and with to provide low-cost, quality financial services and, most of all, to provide members with the knowledge that when they walk into a credit union, they are family.

You and I have been through some rough days together. I was sworn in as Chairman of NCUA in late July of 2008. They say timing is everything. Five weeks later the United States Government placed Fannie Mae and Freddie Mac into conservatorship and a week after that Lehman Brothers collapsed. On Thursday, September 18, Secretary of the Treasury Hank Paulson and Federal Reserve Chairman Ben Bernanke called Congressional leaders together and asked for a \$700 billion bailout. The two men told the leaders of Congress in that room, "If you do not do this, we may not have an economy on Monday." Indeed, we faced the most serious national financial crisis since 1929.

Those were frightening days. By September 2010 when NCUA placed three more corporate credit unions into conservatorship, bringing the total number to five, the credit union system had suffered terrible losses. There were plenty of innocent victims, as well as plenty of bad judgment. As I think you will agree, these were trying and terrifying times.

But the people who made up the credit union system held together. And because of that, the system held together. Like the people of a community who all pitched in to raise a farmer's barn, those same people would come back to rebuild it if the barn were ever struck by lightning and burned to the ground. At times like that there might be anger at the fickleness of bad fortune, but there is also less complaining and lamenting than rolling up sleeves and hauling in new timbers. When our misfortune struck, we all rolled up our sleeves. All of us hauled in new timbers and we all got back-pain and shoulder-pain together. But we did not travel what might have been an easier path; we did not go to the taxpayers of the United States and ask them for their money to rebuild our system.

We rebuilt our system ourselves. We did it like credit union people did in the 1930s. Back then, many people were against us. Established money interests were against us. But we had a good idea, and a good idea cannot be stopped or suppressed.

People with five-and ten-dollar bills pooled their money, and used pencils and paper ledgers, and formed credit committees that met around kitchen tables to judge the character and creditworthiness of their neighbors asking for loans. From that time to 2008, our course was steady and our movement grew. When the pain of 2008 arrived, we worked through our shock and losses and we built up anew. We can be justifiably proud of that. We set an example for

other industries across our country. We set an example for both political parties in this city.

Cooperation works; it lifts all boats; it makes a better world.

I am reminded of a quote by Abraham Lincoln. He said, "I am a firm believer in the people. If given the truth, they can be depended upon to meet any national crisis. The great point is to bring them the real facts."

February 2009 was the first time I addressed you at the Government Affairs Conference. "These were part of the dark days," I said. "Although in times of trouble people tend to find fault, what we need to do instead is to acknowledge that we have a very powerful legacy of common purpose and cooperation, and that these are not just our ideals but also the very tools we will use to work through this trouble to better times."

I said that in the financial crisis we faced, credit unions "are not the problem, they are the solution" and that credit unions rather than cutting back on credit, were extending more of it so that families in distress could better weather the difficult times.

President Lincoln also said, "You cannot evade the responsibility of tomorrow by evading it today." In our own crisis, I believe that you understood your responsibility of tomorrow and you did not evade it. You tackled it, and you won. You built a credit union system that is going to last. You built it for your children and their children and I hope you are proud of that.

Together we accepted the challenges we faced. Together we accomplished what needed to be done. Together we took bold action: We went to Congress and asked that they increase the borrowing authority of the Central Liquidity Facility (CLF). We took action with our corporates

to stabilize the corporate system. We drafted strong regulations to guide our corporates and prevent a recurrence of the problem they had fallen into. We let the industry decide which corporates would survive and what they would look like in the future.

We began the task of ensuring fair and consistent examinations across the country. We started NCUA's Office of Consumer Protection to monitor our own industry and act as a buffer to and liaison with the then proposed Consumer Financial Protection Bureau.

We developed two initiatives for the CLF. The first of these innovative programs permitted NCUA to borrow funds from the Federal Financing Bank and make loans to credit unions at a time when markets were in unprecedented turmoil and when liquidity needs were escalating. These programs brought in much needed liquidity from outside the credit union system.

The second, the Credit Union System Investment Program, enabled participating credit unions to borrow from the CLF and invest the proceeds in a share insurance fund guaranteed certificate issued by participating corporate credit unions. The Credit Union Homeowners Affordability Relief Program enabled participating credit unions to borrow from the CLF and invest the proceeds in a Share Insurance Fund guaranteed certificate issued by participating corporate credit unions.

Those programs helped credit unions assist homeowners who were struggling with delinquency, default, or foreclosure on their mortgages in the face of declining home prices.

We also created the Temporary Corporate Credit Union Share Guarantee Program to keep deposits in corporate credit unions and maintain the viability of the entire credit union system.

Not only did this program stop the outflow of shares, funds actually came back into the corporates, with the entire system returning to normal, the program expired at the end of 2012.

We ordered a review of all pilot programs to allow more credit unions to participate and to eliminate the non-productive ones. We began the process of bringing new, qualified individuals to NCUA and bolstering our examination staff. We implemented the National Exam Program to monitor large, troubled credit unions, laying the groundwork for the now-finalized Office of National Examinations and Supervision at NCUA. We have continued to regularly look at all NCUA regulations to ensure that existing and proposed regulations are fair and do not in any way stifle the ability of credit unions to grow and serve their members.

On account of these actions, I am proud to say that today the corporate system is well and better serving the industry, that the Share Insurance Fund is healthy, and that natural person credit unions have weathered the storm and are doing better every day.

All of you who are here today—the credit unions of this nation—did what needed to be done. Your efforts saved and restored the credit union industry. And today, credit unions are the premier financial services industry in this country. These accomplishments – as hard-won and as difficult as we have ever achieved – could only have been accomplished with hard work by both the regulator and the regulated. Working together we did what other financial service industry people could not. We fixed what was broken with innovative, new, never-been-tried programs and solutions.

Today we have a better, stronger infrastructure of not-for-profit, member-driven, democratic, cooperative financial institutions guided by their first principle: uplifting those who join.

Last month, this nation again swore in its President. We have done this every four years without fail since 1789. We have done this through war and peace, economic good times and economic catastrophes. It is a remarkable accomplishment; it is unprecedented in history. But this is what a free people do. A free people can see the problems they face, own up to their mistakes, debate solutions, and work together to right the wrongs. A free people can make corrections; they can set things right so that the future will be better than the past.

While you are in Washington, I hope you can take advantage of seeing some of the historic and national sites here in the capital. There are many. But because I referenced Abraham Lincoln, born in Kentucky, raised in Indiana and elected from the great state of Illinois, let me discuss him further.

Abraham Lincoln came to this city when the country was in crisis. He labored through four years – to the detriment of his own health – to set the country on a course toward a nation that he believed would be better than the one he found in turmoil. If you look around, you can still find a city of Lincoln. He liked to spend time two miles north at his cottage, where he wrote the Emancipation Proclamation.

A few blocks from here, at the corner of Vermont Avenue and L Street, he and Walt Whitman used to tip hats to one another as Lincoln rode from the cottage to the White House. Many buildings survive from the Lincoln era. The capitol and the white house, of course, but also the

Treasury, the Old Patent Office Building – now the Portrait Gallery a few blocks from here – the Old General Post Office Building, the Blair House, and the Smithsonian Castle. If you know where to look, there is still a lot of Lincoln in this city.

Some of you may have seen Steven Spielberg's movie *Lincoln*, about the year 1864. All of those events – with some small exceptions – took place within blocks of here. Viewing the movie you may have come away with the notion that the legislators in the House of Representatives had plenty of problems and plenty of conflicts. Yet enough of them looked to the future and understood they had to wrestle with the problems of the present and ultimately overcome them with their vision of what the future should be.

That is what I believe you did. You wrestled with current problems and tamed them with your vision of the future.

Now you have to live out that vision. The path will not be smooth, and it may not be straight, but you have to hold close to your vision. Keep thinking big; keep thinking long term; keep your eye on a distant and better future. If you keep your eye on your goal, you will be less likely to trip over distractions. We are on the right course, but there is much work yet to be done.

Millions of individuals and families need to be persuaded that cooperatives lift everyone they touch, and lift all communities in which they work.

By your great work, you have helped develop and expand the middle class in the United States and you have touched and elevated families who wanted to move into the middle class. You must keep up this good work, and part of that, of course, is making sure Congressional

representatives understand what cooperative credit unions are, the work that cooperative credit unions do, and the great potential cooperative credit unions have for the people and the economy of this country.

We weathered a great storm. We are the stronger for it. The future is bright. Enjoy your work here in Washington. May it be ever fruitful for you, for the credit union system, and for your members back home.

Thank you for listening. God Bless you and God Bless the United States of America.