

**Embargoed Until Delivery  
Tuesday, August 13, 2013**

---

Remarks of Michael E. Fryzel  
Board Member  
National Credit Union Administration

at the

Defense Credit Union Council  
2013 Conference and Showcase

---

---

White Sulphur Springs, W.Va.

---



## Remarks

---

Thank you, Arty, for that warm introduction and for the good work that you continue to do for this council and for the men and women of our nation's armed forces and their families. It is a pleasure to be with you here at the beautiful and historic Greenbrier Resort for your 2013 Conference and Showcase.

I have had the pleasure of working with Arty and the council for the last five years in my regulatory role, but your service extends much further. For 50 years, the council has been serving those who serve. And for that, I commend you.

You never would have come close to 50 great and useful years if you were not serving your member credit unions, or if they were not serving their members in the outstanding manner for which you and they have a justified reputation.

You have continued to offer honest and reliable low-cost financial services with a global reach to reduce the burden borne by the men and women of our nation's armed forces. These men and women have responded in kind, joining your credit unions in record numbers and entrusting their family finances with you. As I have said before, I believe men and women of the armed forces join your credit unions because they understand value. They understand that, as is their own purpose, you are not seeking profit, but rather working for a higher goal. They understand you are looking to serve them just the way they are looking to serve their country.

Yours is a highly enviable record of service and achievement, and I salute you for what you have accomplished.

This is the fifth time I have had the pleasure of addressing you as a Board Member of the National Credit Union Administration at the Defense Credit Union Council Conference. To serve on the NCUA Board, both as Chairman and as 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 scores of 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 your 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 conserved Fannie Mae and Freddie Mac and about a week after that Lehman Brothers and AIG collapsed. On Thursday, September 18, Treasury Secretary 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, those 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 pitch 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. 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. Instead, 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 \$5 and \$10 bills pooled their money, 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 anew by putting in place new rules for corporate credit unions and creating a system to manage the losses.

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 about cooperation. Cooperation works. It lifts all boats. It makes a better world.

I am reminded of a quote of 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."

In February 2009 when the days were very dark, 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.” 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 once said, “You cannot evade the responsibility of tomorrow by evading it today.” In our own crisis, I believe that you understood your responsibility to tomorrow and you did not evade it. You tackled it, and you won. You rebuilt 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 sizable accomplishment.

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, or the 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 the NCUA Office of Consumer Protection to monitor our own industry, centralize supervision and act as a buffer to and liaison with the then-proposed Consumer Financial Protection Bureau.

We developed two initiatives for CLF credit extensions to credit unions for system liquidity.

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 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 also 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, as planned.

We ordered a review of all pilot programs to allow more credit unions to participate and to eliminate the non-productive ones. We brought in new, qualified individuals to NCUA and bolstered our examination staff. We implemented the National Exam Program to monitor large, troubled credit unions, laying the groundwork for the now-operating 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 doing well and better serving the industry, the Share Insurance Fund is healthy, and natural person credit unions have weathered the storm and are doing better every day.

The credit unions of this country—you who are here today—did what needed to be done and saved for the nation’s citizens what credit unions have become, the premier financial service industry in the 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 services industry people could not. We fixed what was broken with innovative, new, and 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.

In January of this year, 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.

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. As you know, the path will not always be smooth, and it may not always be straight, but you have to hold close to your vision. Keep thinking big, keep thinking long term, and 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 for military members and their families. You must make sure that everyone understands:

- 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.

Your organization has been helping in small ways and large ways since 1963. You and your member credit unions have done vast amounts of good, and I know you will continue to do so for the men and women who risk life itself for this country. Again, I congratulate you. Enjoy your celebration. And recharge your batteries for the work ahead.

Thank you for inviting me here to be with you on this special occasion, and thank you for listening. May God bless you and your work, may God bless our veterans and may God bless the United States of America.