

**Embargoed Until Delivery
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Remarks of Rick Metsger
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National Credit Union Administration

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Remarks

It is truly great to see all of you here today. I hope you not only find your conference productive, but also you will enjoy taking in the sights of this great city which is so enveloped in history and rich in culture.

When I was a credit union director like many of you in the audience, I always enjoyed coming to the Governmental Affairs Conference and sitting where you are today to listen to the hit-parade of speakers that would move across this stage like clockwork in 15-minute increments. You could count on just about every speaker greeting you like their long-lost cousin and telling you exactly what you want to hear.

I've been a part of the credit union community for more than 40 years now, participating in just about every role. So, forgive me if I pass on just throwing you a bunch of applause lines this afternoon. I respect you too much for that.

Instead, I want to spend our few minutes together offering you my candid view of some of the key issues that, collectively, we are facing together.

Security Breaches

Let me begin by asking you a question: How many of you have had a new credit or debit card issued to you during the past year because of a possible security breach?

This problem has reached epidemic proportions.

And as a credit union leader, you are well aware of who has had to pay the cost of issuing those new cards, monitoring your accounts, and paying for any fraudulent charges. It was your credit union. When lax security by a retailer results in a data breach and necessitates the need to replace cards, open new accounts, or provide credit screening, the responsible party—the retailer—should shoulder the cost, not your credit union.

Retailers are great at posting signs in the stores that say, “If you break it, you bought it.” Well, what is good for the goose is good for the gander. If their security breaks, they should pay the consequences—not you, your members, or your credit union.

And together, we must all realize that this problem is national in scope. It will continue to morph into new challenges and call for new safeguards. Both the regulator and regulated must be vigilant at every level to confront cybercrime. All of us have a role.

Risk-Based Capital

I'd like to briefly touch on three issues this afternoon that you have no doubt heard a lot about.

The first is risk-based capital. As the Serenity Prayer teaches us, "Grant me the serenity to accept things I cannot change, the courage to change the things I can, and the wisdom to know the difference."

I encourage you, during this current comment period, to focus on the policy design of the proposed rule and the things you can change, not on the sideshow on whether NCUA has the legal authority to set separate capital requirements for well-capitalized and adequately capitalized credit unions, as all the other regulators do for the financial institutions they regulate.

As you know, I'm not a lawyer, and my mother has always been very grateful for that. But, I've worked with hundreds of them over the years. I've learned they are always very sure of themselves. They are always right. They are happy to spend tens of thousands of your dollars to show you how right they are. The fallacy, of course, is that every time a case goes to court, exactly 50 percent of them are always wrong. Debating this legal issue is a circular exercise. Only a court is empowered to make that decision.

What lawyers rarely, if ever, consider—and what the central question of importance is for you, for me, and for the American public—is: "What is the best public policy?"

Our current risk-based capital system is broken and has to be fixed. It fails to identify capital-constrained credit unions until it is too late to save them, so we need to adopt a new system. As we finalize that new system, I encourage you to concentrate on the things you can change. Help us design the best policy for America's credit unions and your members.

Regulatory Modernization

The second issue is "regulatory relief," which really should be called "regulatory modernization." You need more than just relief, you also need new authorities like the ability to issue supplemental capital and underwrite more member business loans.

I agree credit unions need regulatory modernization from us at NCUA. The financial services world is continuously evolving. Both you as service providers and we as regulators and insurers need to keep pace with the needs of American consumers.

Some modernization is beyond our authority to grant under existing law and will need your voice before Congress to ease constraints. Other changes can only be provided by other regulatory agencies like the CFPB.

For my part, I want to assure you of my commitment to modernizing outdated regulations within the NCUA's jurisdiction.

We are well underway. One of the first issues I identified and decided we needed to address was removing the 5-percent limit on fixed assets. We need to turn operational decisions that do not impact safety and soundness over to you as directors and executive management. That is where those business decisions belong. I hope we will complete work on this matter in the next few months.

Simplifying the rules for member business loans is another issue I want to address this year, as is supporting your efforts to have Congress ease the statutory straight jacket that prevents you from meeting the needs of small businesses in your communities.

I also support legislation to authorize supplemental capital for all credit unions—not just low-income credit unions.

Just last month, we proposed raising the definition of a small credit union to \$100 million. We will receive comments from you on whether that is the right threshold. But, this represents a 10-fold increase in how it was defined just four years ago. That is real change.

I also hope you will join us by your computer, tablet, or smart phone next week for our March Board meeting. This will mark our second month of live streaming of our Board meetings, giving you the opportunity to watch our decision-making process in real time, an opportunity previously available only to people who had the time and money to fly to Alexandria to watch in person.

Live streaming is an initiative I proposed after I joined the Board and which I am pleased to now have in place. The quality of the streaming will improve as we bring new equipment online. For better or for worse, you'll be able to see the proverbial sausage being made.

Field of Membership

Finally, the biggest single issue where you can make a difference for your credit union and the American public is to add your voice to my effort to modernize field-of-membership rules for federal charters. Our dual chartering system works best when state and federal charters keep pace with each other.

Frankly, some states have been much more progressive in adapting to a changing marketplace than we have in Washington. There have not been any substantive changes to federal field-of-membership rules in decades. Modernizing field-of-membership regulations and statutes may be the most important issue affecting your credit union's future—more so than any other effort in which you can focus your advocacy efforts.

We do have some statutory limitations, and we will have to work together to convince the Congress to address those limitations. But, there are numerous areas where it is within our power to make changes.

At NCUA, we recognize our responsibility to review our interpretation of field-of-membership issues in light of a dynamic marketplace to ensure the relevance of your credit union to consumers. We can, and must, make progress in this area.

I welcome input from the credit union community on how we should move forward.