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Remarks of Michael E. Fryzel  
Board Member  
National Credit Union Administration  
to the  
National Association of Federal Credit Unions  
2013 Congressional Caucus

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Washington, D.C.

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## Remarks

Thank you, Carrie, for that warm introduction. It's an honor and pleasure to be with you again here at the Mayflower Hotel and to welcome you to Washington, D.C. for your annual Congressional Caucus. I expect and know you will do great work while you are here.

Fred Becker is relaxing in North Carolina, but I again wanted to thank him for his years of dedicated work for NAFCU and the entire credit union industry. Dan, I welcome you to your new responsibilities and I look forward to working with you to do all I can to strengthen the nation's credit union movement.

To serve on the NCUA Board, both as Chairman and a Board Member, has been an honor. I have met some of the most dedicated people in the financial services industry, many of you right here in this room, 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 union offices and branches. 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 at numerous NAFCU events. In fact, this is the fifth time I have had the pleasure of addressing you here in Washington, D.C. for your Congressional Caucus. When I first met and spoke with you, it was in September 2008, two months after I had been sworn in as a new

member of the Board of NCUA as well as its Chairman. They say, “timing is everything.” I spoke to you on September 17, a Wednesday. The following day, then- Secretary of the Treasury Hank Paulson and Federal Reserve Chairman Ben Bernanke called Congressional leaders together and asked for \$700 billion to bail out the banking and financial services sector. 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.”

We were facing the most serious national financial crisis since 1929. It was quite a month. Fannie Mae, Freddie Mac, Merrill Lynch, Lehman Brothers, Washington Mutual, Wachovia, and AIG were conserved, merged or collapsed that month of September.

You and I can recall: those were frightening days. The banking system of the nation was shaken to its core. The public was scared.

Most particularly for us, the credit union system faced catastrophic losses from toxic assets, mainly faulty mortgage-backed securities purchased by some corporate credit unions. Eventually NCUA placed five corporate credit unions into conservatorship.

But we rebuilt our system ourselves. Together, 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.

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 and to create a Temporary Stabilization Fund to manage the corporate credit union losses over time. 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 developed two initiatives for CLF extensions of credit-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 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 sunsetted at the end of 2012 as planned.

We started the NCUA 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 ordered a review of all pilot programs to eliminate the unproductive ones and to allow more credit unions to participate in the 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, safe and sound, 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 today that the corporate system is well and better serving the industry, that the share insurance fund is healthy, and that natural person credit unions as a whole have weathered the storm and are doing better every day.

The credit unions of this country – and very notably 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 challenging 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.

These have been a momentous five years, five years of hard work to get the credit union system through a crisis to where it is today: a better place with a brighter future.

Being in Washington, D.C., I am reminded of Abraham Lincoln’s speech in March 1865, after five years of crisis, of national toil and hardship. Lincoln’s Second Inaugural Address is a great speech. So great that it is chiseled in stone on the north wall of the Lincoln Memorial about a mile and a half from here.

Lincoln summarized the trauma the nation had been through in the years since his first inaugural address four years earlier and he ended with these words: “With malice toward none, with charity for all...let us strive on to finish the work we are in.”

Lincoln understood that mainly the crisis had passed, and the hardest work accomplished, but also that much work needed to be done, and that work required cooperation and vision. It was a time for looking to the future and not to the past. And so should it be with us. We should be looking towards a brighter, challenging future.

Many of you will be going to Capitol Hill this afternoon to talk with Senators, Representatives, and their staff aides. You will be leaving from this historic hotel, where countless Inaugural Balls have been held. With an atmosphere of enthusiasm and hope for the future, they celebrate a new presidency with everyone looking forward to new legislation and new direction for the country. Inaugurations are always times of enthusiasm and eagerness.

Your Congressional caucus meets in Washington every year. You come here with ambition and energy for legislation that you believe will help fuel the credit union movement as it advances into the future. This is as it should be, and I wish you every success in the halls of Congress.

When you talk to the legislators on Capitol Hill never forget, and never let them forget, that you come to them not, as many people do, for your own benefit, or to enrich the cash flow to an industry, or for federal money, but rather for legislation, for their approval, to let persons who join financial cooperatives to better extend credit to one another for the betterment of all and the betterment of their communities.

You must remind them that the preamble of the original Federal Credit Union Act of 1934 stated that the new system was meant to “establish a further market for securities of the United States, and to make more available to people of small means credit for provident purposes through a national system of cooperative credit, thereby helping to stabilize the credit structure of the United States.” And this is exactly what you did in the financial crisis. When other lenders cut back, you continued to make loans.

The Federal Credit Union Act was not a hand-out to people. It was a way to help restore the economy of the nation – then in the depths of the Great Depression – by allowing common people to help spread credit among themselves. Government did not do the work. People did the work. They extended credit among themselves, thereby helping each other out and lifting themselves up. The Federal Credit Union Act was one of the most successful and enduring pieces of legislation from the 1930s. What you ask of Congress is to be allowed to continue that work, to allow common people to help themselves, to build their communities, to foster their family finances. As in the 1930s, you are not asking for help from taxpayers, only the ability to extend the work that you do among yourselves. You have always paid your way and you always will. You ask that this system of self-help, democratic cooperatives be made even stronger and more dynamic and to help even more people. As I have said many times before and as you must tell your Representatives, it is time for Congress to act and lift the Member Business Loan Cap and allow credit unions to raise supplemental capital.

When you go to Capitol Hill, you might exit this historic hotel at the Connecticut Avenue door. If you do, you will see a beautiful avenue. It was not always a pleasant sight. If you walked out that door in the 1970s, you saw a Connecticut Avenue made out of wood. From sidewalk to sidewalk, for as far as you could see the street was made of thick, dark uneven wooden beams, each about eight inches wide. When it rained, water seeped into the gaps between beams, and if you were driving a car, it often fish-tailed right and left along the slippery wet surface. Walking across the street was a tricky endeavor.

Why was Connecticut Avenue made out of wood? It was made out of wood because this city's leaders had decided to build a subway system and they were making a subway tunnel from Farragut Square to DuPont Circle right under the road; the wooden beams covered the construction below. Making the subway here was costly and inconvenient. It was also controversial. Congress and the highway lobby urged the city instead to take money for building interstate highways that would slash through the downtown. Plenty of persons said building a subway was impractical; the city was already too developed; digging would come up against water lines, sewers, and communications cables; construction would be too disruptive. But the Washington region built a subway system.

It's not perfect, but Washingtonians are pretty proud of it and are glad to have it.

Building the subway took vision; it took lots of money; and it took waiting out the inconvenience, including a wooden Connecticut Avenue. Building the subway took a leap of imagination and an enthusiastic confidence in the future. It wasn't small thinking; it was big thinking. It took guts and it took work.

I liken Connecticut Avenue to the credit union system. Both went through a rough time, but both look pretty good right now. We have just come through our own period of repair and rebuilding. We suffered inconvenience. We suffered cost. We rebuilt our system just the way Connecticut Avenue rebuilt itself with pavement.

We are at a point in the credit union movement where we can coast, where we can go along with what has been passed to us, a successful system enjoyed by 95 million Americans. Or we can say

now is the time to make a leap, to bring democratically run, self-help, non-profit cooperative financial institutions to 200 million Americans. That will take vision, investment, and inconvenience.

It will take not just walking the halls of Congress but pressing lawmakers to work with us, to getting the legislation we need written and passed. It will take work in the communities you serve and with your own Boards and employees. Connecticut Avenue works well now because 30 years ago it was made of wood. Progress and advancement take time, effort and sometimes inconvenience. But the reward can far exceed the work we put in. Let us not be the generation that held on. Let us be the generation that advanced and made this system better.

Now, like President Lincoln in 1865, we can say the crisis has mainly passed. The healing has begun. But much important work remains to be done.

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 your 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.

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