NCUA
National Credit Union Administration

Embargoed Until Delivery
Tuesday, February 23, 2015

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Credit Union National Association's
2016 Governmental Affairs Conference
Washington, D.C.

NATIONAL CREDIT UNION ADMINISTRATION

Prepared Remarks

This morning I'd like to address some of the key issues of our times and their impact on you, your members, and NCUA. The first issue is climate change. Make no doubt that climate change is real and threatening. I'm referring of course to change to the economic climate, fostered by evolving consumer demands and the disrupters and other competitors you face every day. There is a real and legitimate concern that you have to play by different rules than others.

It seems just a short time ago that hardware stores that jacked up the price of plywood during hurricane threats or gas stations that raised gasoline prices during other emergency times were deemed guilty of price gouging, subject to legal action and angry congressional hearings.

Now just the other day I read an article in the paper about how one of the new "disruptive" ride services charged a woman $640 for a ride from her home to Reagan National Airport during the recent snowstorm. The regular taxi fare would have been closer to $60 than $600. The disruptive ride service didn't call this "price gouging;" they called it "surge pricing," a much kinder, gentler term. But, don't tell that to the traditional cab driver whose rates are set by the local government.

Credit unions don't charge their members "surge pricing"— although I remember a few years ago when some banks got in hot water with their customers when they tried to charge for teller service. Instead of "surge pricing," credit unions return savings to their members.

As financial services providers you face the same kind of competitive inequities from disruptive, financial service providers, especially new, sometimes fly-by-night, online services that do not have to live and comply with the same regulations you do.

Economic climate change is also happening as new technology expands demands by members for additional tools and services. Similarly, brand new cybersecurity threats have altered the climate like no other threat before. The pace of these threats is accelerating rapidly, requiring aggressive and ongoing vigilance to meet those challenges and to protect your members and their savings.

At NCUA, we face the same challenges to adapt to a changing industry and a changing world. We have to provide effective supervision while not impeding innovation. That is why we have beefed up our investment in tools that will facilitate the secure transfer of information from your credit union to our examiners so it can be examined offsite, thus reducing both travel costs and the disruption to your operations. We can examine more efficiently, which is good for both you and us.

We also are aggressively addressing the changing needs of consumers by putting greater control and responsibility into the hands of credit union boards of directors and management.

Our new member business lending rule, finalized just last week, gives credit unions more flexibility in serving the needs of small businesses while allowing credit unions to expedite decision-making on loans that previously required waiver approval from NCUA. These were waivers we routinely provided, but not in the timeframe that you and your members needed, causing you to lose good opportunities to competitors who didn't have to wait for waivers.

Similarly, our proposed of field–of-membership revisions are designed to respond to both technological and societal changes over the last several decades that have redefined what a "well-defined local community" is and how consumers obtain services from credit unions. Once again, our goal is to allow boards of directors and management to control their strategic planning and determine how they can best meet the needs of their communities. Despite what you hear from your competitors, Congress explicitly gave the NCUA Board broad authority to define what these terms mean.

Another issue we hear a lot about is the growing income inequality in our country and a variation of that theme is reflected in the credit union system as well.

As a system, it has been a very good year for credit unions on all performance metrics. But, the averages obscure the differences between the haves and have-nots. A deeper dive reveals that while shares, loans, and net worth increased by double digits, or nearly double digits, at large and medium-sized credit unions, small credit unions lagged considerably behind. In other words, while life continues to improve for credit unions that are already doing well, it has became even more challenging for credit unions that are already struggling. In a moment, I'll speak to one thoughtful way we can use the cooperative nature of the credit union movement to help struggling credit unions find a pathway to success, thus simultaneously enhancing the safety and soundness of the system.

Another recurrent theme of this political year is trust. On this issue credit unions have solidly hit the mark. Not-for-profit cooperatives still are viewed as more trustworthy than banks. You have earned that reputation by delivering on your promises while providing clarity on your expectations from the member in return.

Likewise, a regulator builds trust and credibility with the regulated community in the same way. It isn't built by standing before you and reeling off a list of promises or raising expectations that don't come paired with a plan for progress. You don't need promises and proclamations. You should expect a regulator who listens, gives thoughtful analysis, and then leads. You deserve honesty and clarity, not pandering.

Last year, I stood right here and announced my goal for the year was to put more control of your strategic future back in the hands of local boards of directors and management. I said this would be exemplified by proposing new rules to simplify member business lending and modernize many of the outdated rules limiting your fields of membership. And I committed to you to have these rules before the board before the end of the year. We delivered on all counts, and last week we adopted a final member business lending rule that incorporated many of the thoughtful suggestions you made, including providing expedited implementation of parts of the rule that provided regulatory relief.

As we look ahead at the next 12 months, instead of giving you a long laundry list of promises that will never come to fruition, I want to give you a short list of important and achievable goals: First, we need to wade through the 11,269 letters we have received on the field-of-membership proposed rule and deliver a final rule, consistent with the Federal Credit Union Act, which allows you to meet the needs of members in your community.

Second, I intend to work with our Office of Small Credit Union Initiatives to help stem the cascading loss of small credit unions to mergers because they don't have the resources to stay viable in the marketplace. Building on the Network Credit Union concept developed by the Filene Institute and others, I commit that I will work to provide assistance to credit unions who wish to come together under the umbrella of one stronger charter, but who continue to operate under their own identities in their communities, seamless to their members, but now with added resources and reduced compliance and regulatory burden at the local level.

I am pleased to announce that just last week, our General Counsel, working with OSCUI, confirmed that key elements of the Network Credit Union concept are permissible under the Federal Credit Union Act. While a great deal of additional work remains to be done to bring this concept to fruition, neither the Act nor our rules will be a bar to eligible small credit unions that want to band together to support one another. Your cooperative structure can help smaller credit unions survive in an increasingly challenging economic climate.

Merging into a larger credit union and losing its local identity should not be the price a credit union has to pay to remain viable in their community. The time to move from rhetoric to reality is now. Death of the small credit union does not have to be a pre-ordained conclusion.

Third, I want to initiate a thorough review and analysis of key agency processes that drive at the core of our mission. Call it CQI, or Continual Quality Improvement, to ensure that as the credit union world changes, we as regulators continue evolving our processes and procedures. I intend to have us look at how our new technological tools, combined with a more sophisticated but consolidating industry, can alter our examination and supervision processes to work more efficiently and more effectively. By next year, I want to have a list of recommendations along with an implementation schedule and plan for those recommendations.

Fourth, and finally, our nation's financial structure is the mainframe of our economy and the credit union system is an integral component of that structure. As a network administrator of that system, it's my job to ensure credit unions not only stay in line but also remain online to meet the financial needs of their members.

That brings me to the oft-cited phrase—"safety and soundness." I believe the term is too often mischaracterized and just as often misunderstood. Safety suggests precautions, restraints, parameters, or out and out avoidance. Examiners run a checklist of rules, compliance requirements, limitations, liabilities, and liquidity to name a few.

Examiners don't run a checklist for compliance on how many families you helped achieve the American dream of home ownership or how many students you transformed into college graduates. Examiners don't count the number of members who were able to get to work and support their families as a result of the car loans you made, nor do they count the number of life-saving medical treatments you helped make possible. But, these are essential parts of your mission. They are what healthy, sound credit unions do every day. As required under the Federal Credit Union Act, you protect your members' savings while serving as a source of credit for provident and productive purposes. Healthy credit unions meet the everyday financial needs of their members with responsible and prudent lending.

A credit union, though that isn't healthy, by definition isn't sound.

As a regulator – a steward of the credit union system – it is incumbent on me not only to set safety parameters to protect your health, but also to ensure you have the flexibility to meet the evolving and diverse needs of your members. We need to set you up for success, not failure. We do not enhance soundness by placing a tourniquet on your ability to meet the provident and productive needs of your members.

Let's all be committed, as regulator and regulated, to embrace market evolution with flexibility where needed, restraint where prudent, and the wisdom to know the difference.