



**Credit Union National Association
2006 Governmental Affairs Conference**

Remarks by

*The Honorable Christiane Gigi Hyland
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At

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Thank you for that kind introduction.

Good afternoon! Without a doubt, this is always one of the highlights of the year. For fourteen years, I sat where you are sitting...listening to different perspectives and points of view on credit union issues, mingling with colleagues and renewing friendships from across the nation. Like many of you, my professional career has been spent in the credit union movement, first as an attorney in private practice, then concurrently at the Association of Corporate Credit Unions and CUNA, and most recently as general counsel at Empire Corporate FCU. I'm also a graduate of the Credit Union Development Education Program, a program that explores the inherent power of the cooperative structure and the ability of financial cooperatives to facilitate "people helping people" both domestically and internationally.

In preparing my remarks, I thought, "What can I say to these 4,000 plus GAC participants? What can I say that they may not have heard or not considered in listening to the day and a half of speeches before mine?"

In addition, I thought, “Wow. This is my first address before such a large audience.” Having watched the Olympics from Torino, Italy for the last two weeks, this certainly seems like an Olympic event. I feel as if I should present myself like the figure skaters do before their performances -- glide onto the stage, raise my arms elegantly into the air and curtsy!

In all seriousness, it is truly an honor to stand before you as an NCUA Board Member. These are, undoubtedly, exciting times, not only for the credit union system but also for NCUA. In my mind, exciting times present opportunities. In the brief time we have together today, I'd like to share with you some of my thoughts about my role as a regulator and some of the opportunities I see for NCUA and the credit union system.

I have two key thoughts on my role as a regulator. The first and foremost priority of NCUA, as is your first and foremost priority as credit unions, is the safety and soundness of your institutions. But I believe that safety and soundness must be balanced with regulatory flexibility. As an NCUA Board member, I must weigh the need to assure members'

money is protected and well-managed with the competing need of not restraining credit unions' ability to be nimble in today's fast-paced financial services marketplace. Your job as a credit union is not to avoid all risk. Rather, your job is to meet your members' needs. I agree wholeheartedly with former NCUA Chairman Dennis Dollar, who just a few years ago implored you to manage risk, not avoid it. NCUA, as an agency, as a regulator, as an insurer, must also recognize that we should not drive you to be completely risk-averse. If we are doing that, then NCUA is not doing its job. NCUA's job is not to drive credit unions to being risk averse. Our job is to drive credit unions to risk management. NCUA's risk-focused examination process has been in place for a couple of years now. The process of examination and supervision must continue to focus on how well credit unions do at managing the risks they undertake. A "one size fits all" program is simply not appropriate. We need to continue to examine existing regulations to determine whether all are needed or perhaps whether certain credit unions based upon their performance should be exempt. As you know, the NCUA

Board established the RegFlex program in 2002 to exempt qualifying credit unions in whole or in part from a series of regulatory restrictions and grant them additional powers. In January, the Board finalized revisions to the RegFlex rule, reducing from 9 to 7 percent the minimum net worth ratio to qualify for RegFlex. These changes represent an ongoing philosophy to provide earned regulatory flexibility to well-capitalized, well-managed credit unions.

The second key component of my role as a regulator is to listen...to get outside the Beltway and talk with you, the folks working in credit unions, to see what issues, challenges and opportunities you face. I also truly believe it is critical for NCUA and the credit unions it regulates to have an on-going dialogue. My approach is to listen to all sides of an issue -- 360 degrees – to assure that I have all the information I need to make a well-informed, supportable decision. We may not always agree, but the dialogue itself creates a vibrant mechanism for sharing ideas and improving the regulatory climate for credit unions.

During my confirmation process, many Senators reminded me that the agency has been criticized as a “cheerleader” for the credit union system. They also inquired, “How do you intend to remain independent and focused on safety and soundness?” I viewed these questions as prime opportunities for NCUA -- opportunities to reassert NCUA’s efforts to balance safety and soundness while reducing regulatory burden and to bolster NCUA’s reputation as a strong, well-respected regulator.

I said it to Senators and I’ll say it again now – I unabashedly believe in credit unions. I believe they make a positive difference in the lives of the millions of consumers who are their members. Credit unions have a vital place in the financial services arena and I want to ensure that anyone has the opportunity to join a credit union. So, if striving to balance safety and soundness with regulatory flexibility is being a “cheerleader,” then I confess ---- guilty as charged.

But what are today’s opportunities?

How should credit unions confirm their service to all segments of their fields of membership? How should the viability of the federal charter and a credit union's choice of charter be preserved? How should the conversion regulation be clarified? How can NCUA bolster its reputation as an agency?

Measuring service: NCUA recently issued a Letter to Federal Credit Unions concerning the initial effort by NCUA to respond to congressional and Government Accountability Office (GAO) inquiries. The letter is not, I repeat, is not, CRA for federal credit unions. The pilot initiative is a first step to address a complex issue – how to effectively assess and measure what federal credit unions do to serve all segments of their fields of membership. The opportunity?

NCUA needs to recognize the inherent uniqueness of credit unions across asset size, geographic location and charter type and ensure that the diversity of federal credit unions' service to their members is reflected in any analysis of the data collected. NCUA needs to maintain

a broad, open-minded view of the opportunities and possibilities for credit unions to serve consumers. And the opportunity for credit unions is to help shape that response and define it so that others, such as Congress or the banking industry, do not impose their views on the system.

Being on a regulatory list is generally not a good thing. Many of you may wonder, “Am I one of the 481 federal credit unions chosen to be part of this initiative? If I am, ‘Yikes!’” But for once, being on “a list” is actually not a bad thing. The examiners will collect the data and will require limited involvement by credit union staff. I believe this is actually an opportunity for those 481 credit unions to tell their story – to provide in glorious detail all of the unique products, services, outreach, financial literacy, etc. that they offer to meet the needs of all segments of their field of membership.

Charter choice: Field of membership challenges continue to be raised. Current litigation in Utah and Pennsylvania seeks to overturn NCUA’s

chartering policies that have been in place for years. In December, NCUA issued a moratorium on the addition of underserved areas to all non-multiple common-bond federal credit unions. It also issued a proposed rule seeking comment on this issue. The opportunity? NCUA should promote and enhance the value of the federal charter and credit unions' choice of field of membership. NCUA must also vigorously protect credit unions' ability to provide service to underserved areas. This is a critical component of accomplishing credit unions' essential mission to provide financial services to people of modest means. The flexibility and benefits of charter choice must be zealously protected by NCUA. Federal credit unions cannot and should not be stymied by regulatory prohibitions that limit options to serve the underserved or force them to divest of already adopted underserved areas.

Conversion to mutual savings banks: Conversions to mutual savings banks (MSB) continues to be an issue fraught with emotion and controversy for the credit union system. The opportunity? NCUA is fairly limited by statute on what it can do in a credit union conversion.

If, as many assert about conversions, “It’s about greed, stupid,” then NCUA cannot regulate greed. However, I concur with the great credit union philosopher, James Carville, who once remarked, “It’s about the members, stupid.” I believe NCUA should reevaluate its current regulation in the context of lessons learned from past conversions and assure that fair and full disclosure is provided to members. While NCUA should not set up artificial barriers to prevent members from choosing to convert, NCUA has a duty to protect the interest and hard-earned equity of credit union members..

Strong, well-respected regulator:

In addition to regulatory opportunities, my conversations with Senators last October confirmed that NCUA must continually strive to earn and maintain the respect of Capitol Hill, its sister financial regulatory agencies and the credit union system. The opportunity? Continue to be an active participant in joint agency committees and advisory groups. Currently, NCUA participates regularly with a variety of interagency groups on issues of common interest. I believe NCUA must continue to

seek out opportunities at the staff and Board levels to be an active participant and contributor with other federal financial regulators.

NCUA should also pursue the opportunity to continue building relationships with members of Congress. The contacts of each NCUA Board Member need to be leveraged to effectively foster a greater understanding of the agency's activities and processes by Capitol Hill. The agency is in an unparalleled position to support the viability of the federal credit union charter within the larger financial services marketplace. From its vantage point, the agency can attest to the number and complexity of regulations with which credit unions must comply and to the work of federally chartered credit unions in serving all aspects of their fields of membership.

The list of issues above represents only some of the opportunities for NCUA in the coming months. They say that some opportunities only come around once in a lifetime. I certainly believe that's true about serving on the NCUA Board. For me, there was the opportunity, and

here, now, is the honor of being nominated and confirmed to serve.

These are some of the opportunities for the agency. Now is the time to seize them.

I thank you for the opportunity to be able to come and dialogue with you this morning. Thank you so much.