



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

Remarks by

*The Honorable Rodney E. Hood
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At

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Paul, thank you for the kind introduction. Ladies and gentlemen, it is indeed a privilege and honor to join over 4,000 credit union leaders from across America – here in the nation’s capital for the CUNA Governmental Affairs Conference. As I survey the current political and financial services climate, I can truly say that there has never been a more exciting time to be apart of the credit union community. As the Vice Chairman of NCUA, I am thrilled to have an opportunity to visit with you and discuss my vision for credit unions and the role you play in today’s ever-changing and dynamic marketplace.

The state of America’s 8,695 credit unions is stronger than ever before. Every day, you provide over 85 million credit union members with the products and services they need to become homeowners, start small businesses, and save for the future. As a credit union member and NCUA board member, I appreciate the valuable role of America’s credit unions and your vision of creating a strong and vibrant not-for-profit

financial cooperative system. As I begin my professional relationship with you, please know that I want to roll up my sleeves; dive into the issues; and garner your feedback as I seek to ensure the safety and soundness of America's federally-insured credit unions.

You, in the credit union community, have long been known for your compassion and generosity. During a recent trip to the Gulf Region, I saw this firsthand and found the credit unions there to be appreciative for the work of your leagues and credit unions in helping those affected by the hurricanes last fall. You all reached into your pockets, marshaled your credit unions' resources, and in some instances, flew to the impacted areas to help credit unions either continue operations or resume operations. I commend you for your magnanimous spirit.

America’s credit unions will continue to be a reliable financial partner that members can count on everyday....especially in times of disaster and crisis. CUNA did a fine job in helping lead the way in demonstrating the “people helping people” spirit for the credit unions and their members affected by the catastrophe. I would be remiss, if I did not salute Mississippi Credit Union Association President Charles Elliott and Louisiana Credit Union League President Ann Cochran for their outstanding leadership. Guy Hood, a special thanks to you for your unwavering support as well. The spirit of recovery and renewal with our friends in the Gulf Region is alive and well.

Your service in your communities and the access to affordable financial services for your members is certainly remarkable!

This week is an important time for America’s credit unions – a time to visit Washington and meet with your

Congressional delegation to tell your story of serving Americans from all walks of life and advocate the tremendous role that not-for-profit financial cooperatives play in the lives of your members – and their constituents.

As your regulator, I am committed to listening carefully – working hard – and doing my level best to ensure the safety and soundness of the credit union system. By working with all of you – I know that we can continue to help families achieve the American dream of homeownership – we can assist entrepreneurs in creating small, viable businesses – and we can provide families with the trusted mechanisms to save for the future.

Every day, credit unions are providing access to those who have been left behind to predatory lenders. I appreciate hearing the stories of how hard working Americans are achieving their dreams because of the affordable and innovative services that only a not-for-profit financial

cooperative can provide. While visiting the Hope Community Credit Union in Jackson, MS, I learned how a senior citizen consolidated 8 pay-day loans into one affordable consumer loan from her credit union and is now able to not only meet her day to day living expenses, but also save for her future.

As I continue my mission of serving as a fair and thoughtful regulator, I seek your input on the issues facing America's credit unions and value your insight on the proposed solutions. Communication requires more than just listening, it requires action, so it is indeed my commitment to be adaptable enough to make improvements based upon what I hear from you.

As the Chairman outlined on Monday, NCUA recently announced a pilot initiative to measure credit union service to members. The pilot initiative will allow the NCUA to obtain quantifiable data while not placing burdens on the credit

unions. Make no mistake about it, this agency is not seeking and will not pursue a CRA-like requirement. As a former CRA officer in the financial services industry, I know the costly impact of CRA regulations on institutions. While it is incumbent upon NCUA to be responsive to inquiries from Congress and the Government Accountability Office, I have insisted with those at NCUA, that this process should not be burdensome in achieving the results needed to quantify and measure credit union service to members.

Credit unions across America should tell their story with more vigor and determination in order to defeat criticism of the bankers and insure the long-term security of the credit union system. From my perspective as a regulator, maintaining credit unions' tax exemption is critical to protecting safety and soundness. If credit unions are taxed, the taxes will cut into retained earnings. Even today's most viable credit unions could face Prompt Corrective Action (PCA)

under that scenario. As lawmakers weigh credit unions' tax exemption against the perceived greater public good, they must hear your clarion voice that credit unions are providing their constituents with credit and capital they need to buy cars; purchase homes; start small businesses; send children to college; and save for the future – essential financial services to which people of modest means would never have access without credit unions.

Realizing the role that credit unions can play in serving as a financial partner of opportunity for their members, I am encouraging the NCUA, where the federal statutes allow, to enable credit unions to extend their services in more innovative ways so more members may have access to lower-cost financial services. We at NCUA must do our part to ensure the long-term viability of credit unions as safe and sound not-for-profit financial cooperatives. I believe that this NCUA Board is not

only up to that challenge, but is clearly positioned and equipped to meet it with great success and aplomb.

Just as NCUA calls on credit unions to respond to the ‘call of service’ – likewise, I believe we, as the regulator, have the responsibility to ensure credit unions can respond to today’s challenges and are not restrained by burdensome and unnecessary regulations. In January, the Board issued a final rule which provides an additional 413 well-managed, well-capitalized federal credit unions with earned regulatory flexibility by setting the qualifying net worth requirement at 7% rather than 9%.

After a few years of experience with the RegFlex initiative and recognizing that Congress has deemed a credit union well-capitalized at 7%, it’s common sense that NCUA should not micro-manage – well-managed institutions. I support safe and

sound regulatory flexibility to the fullest extent possible. Credit union regulations should be effective, not excessive.

I strongly agree with the dual chartering system, which makes the federally chartered and state chartered credit unions the great institutions they are today. NCUA must strive to be results oriented instead of process driven. We should always look for ways to say “yes” to innovative and flexible regulatory approaches designed to make our federally insured credit unions more competitive -- while maintaining a track record of safe and sound service. We should not shy away from approving field of membership expansions, such as, community charters or applications to serve underserved areas, when the applications are in compliance with the federal statute and NCUA’s standards and guidelines.

Because of recent attacks from the banking industry, NCUA and those we regulate, should not retreat in defeat – but rather recognize that these attacks are on underserved

consumers' freedom and choice of a financial services provider. We all know, there are those in the financial services community who desire to limit consumer choice for affordable financial services and who will do everything in their power to stop credit unions from serving those who need them most.

I believe all financial institutions should be working together to serve the underserved and the “unbanked”. As an agency, we need to focus on allowing credit unions to expand fields of membership as long as it is within NCUA’s regulatory authority and complies with the intent and spirit of the federal statute. Expanding fields of membership – allows for diversification of membership which, in of itself is a safety and soundness factor, especially in cases when a single sponsor of a credit union may cease to exist.

Risk-Based Capital is another issue in which NCUA must not waver as a top priority. I appreciate Chairman Johnson’s

leadership on this issue and look forward to continuing to work closely with the Chairman and Board Member Hyland to implement a risk-based capital structure for both natural person and corporate credit unions. I believe that risk-based capital is the right approach at the right time for America's credit unions. The National Credit Union Share Insurance Fund has proven to be extremely strong and the conservative nature of credit unions certainly would allow for such consideration of risk-based Prompt Corrective Action (PCA). This is an issue which requires us as an Agency to expand the dialogue with Congress and be even more of a resource on the true, positive impact of PCA reform for credit unions.

Additionally, we must encourage innovation in credit unions. NCUA's investment pilot program is one way for credit unions to participate in innovative programs to mitigate risks. Although our first priority is and must remain safety and soundness, we likewise consider it a priority to create a

regulatory environment which facilitates and empowers credit unions to extend their services to more people across America.

Believing that credit unions can be a part of the solution to the growing need for affordable financial services in our country, NCUA's "Access Across America" initiative encourages credit unions to strive to provide these services to their members. NCUA will host its next Access Across America Economic Empowerment Summit this April in Dallas, Texas.

As President Bush says very clearly, the measurement of true compassion is more than good intentions – it is good results. And credit unions are indeed producing solid results.

While we encourage credit unions to meet the needs of underserved Americans, people must first have access to a credit union. Institutions of all asset levels are positioned to

have a tremendous impact on the long term growth and sustainability of the credit union system. This year, I plan to call a summit of both natural person and corporate credit unions to meet together and have a dialogue on the most current and sophisticated tools to mitigate balance sheet risks and explore alternative investment opportunities for credit unions of all asset levels, whether it is a \$10 million institution or a billion credit union. We must renew a focus on sustaining all these institutions in the credit union system while facilitating opportunities to mitigate risks and create strategic partnerships for the continued growth and expansion of “all” not-for-profit financial cooperatives.

In encouraging credit unions to meet the needs of underserved Americans, we also ask you to turn your attention to areas – areas where credit unions in your home states are dedicated every day, -- financial education – homeownership – small business capital – and health savings accounts.

Americans will never truly achieve their financial dreams unless they are equipped with the necessary tools of financial education. Credit unions now more than ever are educating their members to make practical financial decisions. Financial education helps older adults budget and plan – develop healthy lifelong financial habits among our children – and promote a culture of financial confidence within the credit union system. NCUA recognizes the importance of financial education and supports the efforts of credit unions offering these programs. I encourage you to continue making progress in this vital area and encourage you to access NCUA’s website for many helpful resources and links for financial education.

When Americans own their own home – they are part of what President Bush calls, “the ownership society”. Before coming to NCUA, the President appointed me to serve as Associate Administrator of the US Department of Agriculture’s Rural Housing Service where we managed a \$43

billion portfolio in order to provide housing for Americans in Rural America – many from very modest financial means. I have seen with my own eyes – and experienced firsthand the joy and excitement of families who open the door and walk into their first home – it’s a powerful experience! America’s credit unions are positioned to help more and more Americans enter into their own homes and achieve the American Dream by providing homebuyer education and affordable mortgage products.

The homeownership rate in America is at the highest ever. Helping Americans achieve homeownership also requires teamwork and I am very impressed with NCUA’s efforts to facilitate opportunities for credit unions to partner with a number of governmental and private sector organizations such as the Department of Housing and Urban Development, Department of Agriculture, Neighborhood Reinvestment Corporation, Fannie Mae and Freddie Mac, and more.

However, we have more to do in facilitating credit union access to the secondary market for mortgage lending portfolios.

Another area where credit unions can assist their members is with Member Business Lending. The NCUA and SBA continues to work closely together to ensure loan guarantees in order to help credit unions provide their members with access to affordable capital to meet their members' small business needs.

At NCUA, we must continue to be the agent of opportunity and access. In my role as Vice Chairman of the NCUA Board, it's not only my responsibility to regulate and insure the nation's credit unions, but also to maintain wise stewardship of the agency itself. As NCUA calls on you to take actions for the viability of your institutions, we must also adhere to those same business principles. For the continued stewardship of the NCUA, I am calling on our management

team to focus on succession planning and development of future leaders in our agency. We must maintain accountability in management and create a work environment that embraces diversity and promotes a meritocracy. NCUA is fortunate to have a professional and talented staff and I look forward to insuring that they have the resources they need for professional growth and development.

During my tenure at NCUA, I am dedicated to working hard to enhance not only the Agency's service to credit union members, but also improve communication with stakeholders, Congress, and other financial regulatory agencies. For NCUA, our "customer service", will be paramount in achieving these objectives. Just as we speak of Americans having a choice for a financial services provider, credit unions also have a choice, such as which charter best serves your mission. NCUA's excellence in "customer service" requires being accessible and transparent to those we serve.

Many decades have passed since Edward Filene and an innovative and compassionate group of American pioneers boldly set their course based on the principle “not for profit, not for charity, but for service, and as time goes on, I am encouraged by the course credit unions continue to chart. Today’s credit unions help their members navigate through the rough seas of financial uncertainty and despair to the safe shores of financial empowerment and hope. At NCUA, I am committed to joining you on this journey. Best wishes to you for a successful conference.