

Remarks of Chairman Fryzel

NASCUS State System Summit

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Thank you George, Mary Martha, and NASCUS for this opportunity to be with you at the 2008 State System Summit.

Although this is not my first time at a NASCUS meeting, this is the first time I will address a national credit union audience as Chairman of the National Credit Union Administration, and I am honored and particularly pleased that this NASCUS meeting is the venue.

As a former state regulator of credit unions I share your dedication and concern for the protection of the consumer and the continuing success of the credit union industry.

My commitment to NASCUS is a partnership. A partnership of shared ideas and opinions; of open dialogue on problems and solutions; of working together to achieve the common goal of a strong and vibrant credit union industry across this Nation.

As the heads of regulatory agencies charged with the monitoring of depository institutions, you are the key element in assuring strict compliance with a large number of state and federal laws and regulations governing these institutions. Your jobs are many and varied, and require you to be at the top of your game as you perform your essential public function.

My role as the federal insurer of most state chartered credit union means we are linked in a common responsibility. I need you to be vigilant, and I will count on your help in foreseeing which credit unions in your state are headed in the wrong direction. And I will provide you with the resources at my disposal so that we can

work together to resolve problems, protect consumers and put any credit unions experiencing difficulties on the right course.

For almost 8 years I was the director of the Illinois Department of Financial Institutions. During my tenure, there were 700 State chartered credit unions with assets exceeding 4.3 billion dollars. I have also worked with the Illinois credit union trade associations and for the last 16 years, I have been a member of the Governor's Board of Credit Union Advisors for the State of Illinois. Based on my time as a state regulator of credit unions, and my experience in the private sector in various legal and advisory capacities, I have developed a regulatory philosophy that emphasizes prudent and far-sighted regulatory oversight, particularly during these turbulent days in the financial marketplace.

There are specific aspects of this regulatory philosophy that I would like to discuss with you today, principles that have guided and will continue to guide my approach:

First, safety and soundness must be the central focus of any financial institution regulator, whether we are state or federal. Both the federal and state governments entrust tremendous responsibility to those who regulate, supervise or insure financial institutions. As I stated during my confirmation hearing before the U.S. Senate Banking Committee, my commitment is to be extremely vigilant in this area. This is a commitment that I intend to honor. Consumers place not only their money in credit unions; they place their trust, and during my Chairmanship NCUA will maintain the most rigorous safety and soundness standards possible. Federally insured credit unions have never cost the U.S. taxpayer a penny, and the high bar that has been set will remain intact throughout my tenure.

A closely related second element of my regulatory philosophy involves the consumer. I firmly believe that strong regulatory control that aggressively protects the rights of consumers is essential, particularly in this extremely complex and fast-moving financial marketplace. The multitude of choices presented to the consumer must be accompanied by prominent, concise disclosures and understandable options. We must pursue common-sense rules of the road that benefit both credit unions and the members they serve. As member-owned financial cooperatives, credit unions naturally gravitate toward giving consumers a fair deal. NCUA will continue to monitor credit unions to insure that long standing practice remains in place.

These principles are central to the continued durability of the dual chartering concept. The existence of strong and vital federal and state systems benefits all facets of the credit union industry. It benefits us as regulators, as it drives us to improve our supervision and our operational approaches to regulation. And it

compels us to constantly look for new and better ways of carrying out our public responsibilities. I welcome the opportunity to work with you, as partners, to make each other strive for greater heights.

I alluded earlier to the turbulence that has affected the entire financial services marketplace, including credit unions. The credit crisis, brought on by an across-the-board repricing of credit, accompanied by a sudden and substantial downturn in real estate, combined to cause significant dislocations in the mortgage financing markets. These dislocations showed up on financial institution balance sheets in dramatic and occasionally disastrous fashion. And although a case can be made that credit unions are positioned to weather this storm, primarily due to the relatively narrow range of investment options afforded them by federal and state statutes and resulting regulatory vigilance by many of us in this room, I continue to see some credit unions that are a cause for concern. These may be isolated problems, but to the

members of a credit union experiencing difficulty, that one problem credit union is all that matters.

In these difficult financial times, the National Credit Union Share Insurance Fund remains strong. It is the most well-capitalized federal deposit insurance fund, showing at mid-year, an equity ratio of 1.24%. While we make no assumptions about the future based on its solid performance thus far in 2008, we continue to take prudent steps to prepare for any scenarios that these times may deal us. Through careful management and proactive supervision, it is estimated that the Fund will finish the year at 1.28%, significantly above the 1.20% threshold, mandated by Congress.

I want to underscore the absolute necessity for all of us, those who regulate and supervise, and those who insure, to keep constant in purpose. We have a commitment, to those who have placed us in these important regulatory positions, and to the

consumers who depend on us, to keep their financial institutions safe, sound and well-functioning.

These are goals we all share. To achieve them, I ask you to take every practical step to ensure that you devote adequate resources to thorough, careful and comprehensive examination and supervision of credit unions. At times like these, nothing less is acceptable, and I will work alongside you to provide the help you might need, every step of the way.

In my experience I have found that regulators are successful if we also maintain a clearly independent relationship with the industry we oversee. There needs to be a healthy and dynamic, relationship with the industry, characterized by active listening, open-mindedness, and a willingness to work together to achieve a common goal of a strong and vibrant credit union system. It is my intention to work with the industry while we maintain our strong regulatory oversight.



Government's role in regulating and insuring financial institutions should be as minimal as possible, and as much as necessary.

The credit union industry has proven itself a very valuable resource for the American consumer. This is due, at least in part, to a strong and credible regulatory presence in both the federal and state arenas.

As we face the varied and complex challenges presented by a rapidly evolving financial marketplace, NCUA is ready to work with you. My door is open, my aims are clear, and my dedication is strong. I want to hear from you, I value your opinions and I look forward to forging a strong partnership.