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Thank you for that warm welcome. California is a great credit union state and it's a pleasure to be here with you in Monterey.

As a regulator my first concern is the safety and soundness of credit unions. As I looked over the more than 50 credit unions affiliated with your Council I was heartened to see some encouraging numbers. Of course, your diversity is great. You have some very large credit unions—Kinecta and Community America—and some that are rather small and local. But your credit unions combine for more than \$17 billion in assets and 1.7 million members. And you all have made outstanding efforts in maintaining high net worth and excellent CAMEL ratings.

To me this means that your Council credit unions have done a good job at weathering the difficult economic conditions that began with the financial crisis of 2008. Your member credit unions have higher net worth and higher loan-to-share ratios when compared to all credit unions in the nation. Your aggregate net worth is 10.30%, very much in the healthy range and, again, above average for all credit unions.

Most striking is that your member credit unions last year experienced almost three times the growth rate in members compared to all credit unions. This was very encouraging to see, especially considering the recent trials and tribulations of the automobile industry.

The problems we have all faced remind me of a quote from Winston Churchill, "Success is the ability to go from failure to failure without losing enthusiasm."

You, like financial institutions all across the country, have struggled during these difficult economic times. Our nation's automobile industry has experienced setbacks resulting in auto workers being laid off and finding it harder to meet their obligations and add to their savings plans.

Although the economy is slowly growing, it is not growing as fast as we want, and unemployment is likely to stay far higher than we like to see in the immediate future. But consumer confidence is improving, and people are buying cars and homes. Hopefully that will continue to improve at a faster rate and help us move in the right direction.

California is a unique state. Almost any place along the coast is memorable and being in this city we can pause to think about Monterey and its region and take away some lessons both as Americans and as credit union people.

These are some things that are inescapable when you are here in Monterey and the San Francisco area of California: the rich history of this city and region; Silicon Valley; the Pacific Ocean; and its passion for golf courses.

Let me begin with the rich history of this city. Monterey is one of the oldest cities in California. It was the capital of this area when the region was first a Spanish colony and then a province of Mexico. Monterey was the capital and only port of entry for almost 70 years, from 1777 to 1846. But despite having a port of entry here, Spain and then Mexico paid little attention to these northern regions of their empire and did not make an effort to grow the state's population.

However, persons from the United States were interested. And by 1848 all of what we now know as California came into the possession of the United States. Spain and then Mexico had been too distracted with problems closer to their population centers than to worry about far-off and unproductive California. The lesson we need to learn from that event is to pay attention to what you have or it is going to slip away. Understand your resources and put each to its best use. For you in this room it is to understand the credit union members you have, understand what they want and need, and then work hard to give them what they are asking for.

If you fail to meet their expectations, they are going to drift away to other kinds of financial services institutions the same way California drifted away from Mexico and into the arms of the United States. The same way they have drifted from banks to credit unions.

There's another Northern California story worth recalling. It is the story of the transcontinental railroad building a track across the Sierra Nevada Mountains somewhat northwest of here. The railroad was to start in Sacramento and conquer the great mountain range on its way to meeting rail builders heading west from Nebraska. This was in the 1860s when most of the work of bridging, grading, and tunneling had to be done by hand. The challenges were enormous. At the Sierra Nevada mountain range summit, workers had to chisel and blast a tunnel 1,600 feet long through solid granite, and this was only one of a dozen tunnels along the way. Men used copper hand drills and sledge hammers—one man would hold the drill and another would hit it with the sledge hammer—to chisel holes that would then be filled with blasting powder, which was then exploded. Progress was about six to twelve *inches* a day in a tunnel high and wide enough for one locomotive and one track.

If the hammering and hand-drilling were not bad enough, snowfall near the top of the Sierra Nevada can be among the heaviest in the world. The snow pack can run two stories high. This did not stop the workers. They burrowed tunnels through the snow to get to the mountain face and solid granite they were chiseling. They cooked and slept and lived in these snow tunnels. The railroad tunnel through the summit at Donner Pass took more than one year to finish, but they did it. And the lesson we learn from this is that heavy odds don't need to stop us. We need to look at obstacles not as obstructions but as challenges. Proper work, hard work applied in the right direction can tunnel through granite and it can build up financial services institutions that make the difference in families slipping behind to getting ahead.

This kind of dedicated work, seemingly desperate work against heavy odds, was repeated almost a century later in San Francisco Bay. Henry Kaiser was a construction contractor who decided to

build ships in Richmond, California, just north of Berkeley. When the Second World War broke out, Henry was not saddled with old ideas. He put mass manufacturing techniques to work making cargo ships for the allied cause. He produced what came to be called Liberty ships. A workforce of assemblers and welders—with more than one quarter of them being women—reduced the period it took to construct a Liberty ship, complete with engines and ready to go, from 360 days to 100 days, and by 1943 to just 40 days.

In one instance, Kaiser's workers built one ship in just four days and 16 hours. And the lesson we take from this? All of us can do things better. There is always a better way and a more productive way. We should never be satisfied with the present, with the way things are, with the way things are done. Do better. The people who joined your credit union and whom you serve need you. They need low-cost, high quality financial services. Your hard work can lower the cost of service to your members and thus leave more of their hard-earned money in their pockets.

When you are in Monterey, you cannot escape the Pacific Ocean. It is on three sides of this beautiful peninsula. The Pacific Ocean is very large, but unless I miss my guess, when auto workers and their families think of the Pacific Ocean they are likely to recall the automobile industries of Japan and South Korea. Cars are imported from there across the Pacific by the millions. Or they are built here in Japanese and Korean owned factories. Europeans also build factories here and ship cars from across the ocean. What is the lesson for us? Competition is here to stay. This is true of automobile manufacturing and of financial services institutions. We have to look out over the horizon. We have to think about improvement and change.

We have to understand what credit union members want and then make sure they get it in the least-cost highest-quality manner possible. For 80 years, credit union people have done this, and done this well. But in the years ahead we have to do as well or better. Automobile purchasers will look for the highest value. Automobile workers and their families will look to financial institutions that help them and provide them with the services they need.

At NCUA we continue to meet the challenges we face head on. Our corporates have come through a period of great trial and constraint. As a result of credit unions deciding the future of corporates, they are stronger and safer today and in a better position to provide the services credit unions want and need.

We at NCUA continue to pursue those who contributed to the corporate crisis, having brought seven lawsuits against six Wall Street investment firms. And we have reduced Stabilization Fund assessments with underwriter settlements totaling over \$170 million with more to follow. NCUA is the only federal financial institutions regulator to achieve those results.

We continue to revise regulations and make an effort to reduce the regulatory burden as recently shown with the modifications to reg flex and troubled debt restructuring. In order to address credit union concerns and make them right, we have postponed action on the CUSO and loan participation regulations. They will be moved forward only after taking into consideration industry comments and suggestions on how best they should be worded. Last week, we requested comments from credit unions to improve the payday loan rule, how small credit unions should be

defined, what criteria should be used in defining a rural district, and investing in Treasury Inflation Protected Securities.

Our staff continues to evolve with outside hires to bring fresh eyes and new ideas and approaches as to how we regulate and insure the safety and soundness of the credit union industry and the share insurance fund.

And on July first of this year, we put in place the new National Supervision Policy Manual which will ensure fair and consistent exams for all credit unions across the entire country.

About a hundred years ago, the richest man in the world was John D. Rockefeller. Someone once asked him, “Mr. Rockefeller, how much money is enough money?” His reply was: “Just a little bit more.” Everyone can relate to that; at the end of the month, everyone needs “just a little bit more.” In his novel *David Copperfield*, Charles Dickens put these words into the mouth of the all-too-often financially challenged Wilkins Micawber. Dickens has Micawber say to young David Copperfield: “Annual income twenty pounds, annual expenditure nineteen pounds—happiness. Annual income twenty pounds, annual expenditure twenty-one pounds—misery.”

Everyone could use just a little bit more and everyone is happy when his and her expenses are less than his or her income while miserable if expenses exceed income. Many people in this nation play their expenses very close to the edge. Unfortunately, wages have not risen as fast as expenses. The average family has lost ground over the last 15 years. A Federal Reserve report in June reported that American families had lost 39% of their net worth putting them back to the level of 1992. And the ones who have suffered the most are the ones who could least afford to do so.

So every time one of your members is not paying \$10 a month for a checking account, or \$3 to use an ATM, or 18% interest on a credit card balance, or outrageous interest on a loan, or facing high closing costs on a mortgage all because those members belong to a credit union that is working to keep costs to them low, then you are doing very important and meaningful work. You are allowing those members to keep their hard-earned income; you are allowing them to keep what Rockefeller was calling the “just a little bit more.”

That “just a little bit more” can mean a huge difference to families working in the automotive industry. Never ever think that the work you do is not important or appreciated. It is absolutely vital to millions of Americans. Credit unions were created and organized to do just that. You must continue to work hard to retain your members’ loyalty.

I began this talk with a discussion of how your member-affiliated credit unions have been doing. I commend all of your good work and wish you well as you go forward. I told some California stories and found some lessons for us. But we all know that I am a regulator and you do the work. You do the heavy lifting, and you make the difference in families’ lives. I believe that all of you have your hearts in the right place and that you are all headed in the right direction. But I also urge you to be leaders, to be national leaders in national issues.

You are here because you have chosen to serve others. This is true of you who work in credit unions and you who work for the Council. It is noble work. It is dignified work. It is work that is exceptionally important and can do tremendous amounts of good. This would be true even if you helped only one family or only one community, but you are going to help thousands of families and hundreds of communities. I recall some words of Albert Schweitzer, who won the Nobel Peace Prize in 1952.

He said to an audience of young people: “I don't know what your destiny will be, but one thing I know: The only ones among you who will be really happy are those who will have sought and found how to serve.”

And then there is the quote by the Reverend Doctor Martin Luther King Jr. He said, “Life’s most persistent and urgent question is, ‘What are you doing for others?’” You in this room have found an answer to that question. You are working not for yourselves but to serve and to help others. That is dedication and I commend you for it.

You are here in Monterey to learn from one another and to charge yourselves with new energy. But the work begins when you leave this place. The work is not now and not here but in the future and out there. I wish you all the best in the work that lies ahead for you. It is noble work. It is good work, and it is going to help thousands of people and thousands of families.

My message remains the same, if you believe that America rose to its great level of achievement because of people helping people, show it by being the preeminent people helping people organizations in the nation. If you believe that America can employ all of its people who want to work, then lead the way by helping businesses and building communities.

I urge each of you to do your part, as members of the premier financial services movement in the country, to use the credit union philosophy to bring America home to its tried and tested values of work, achievement and helping others.

Thank you for inviting me here today and thank you for listening. May God bless you and may God bless the United States of America.