Statement of Elizabeth A. Duke
Nominee to the Board of Governors of the Federal Reserve System
before the
Committee on Banking, Housing, and Urban Affairs
United States Senate
August 2, 2007

Chairman Dodd, Senator Shelby, Members of the Committee, it is an honor to come before you today as a nominee for the Federal Reserve Board of Governors. I am grateful to President Bush for nominating me and to you for holding this hearing to consider my nomination.

For most of my 32 years in banking, I worked in state member community banks. Our primary federal regulator was the Federal Reserve. We cleared our checks, initiated our wires and held our securities with the Richmond Federal Reserve Bank. And I served as a director of the Richmond Fed. So I come to you with a full appreciation of the responsibility entrusted to a Federal Reserve Governor. If I am confirmed, I promise to bring everything that is in me, every day, to fulfill the trust you will be putting in me.

My experience with monetary policy comes from being impacted by it. I learned my first painful lesson about inflation and monetary policy when the national prime rate went from 8% to 21%. Our small business customers couldn't have survived, so we created our own lower prime and learned to live with it. Later, I worked through recessions and expansions with those same customers. With these experiences in mind, I strongly support the dual mandate Congress has given the Federal Reserve of pursuing both stable prices and maximum employment.

In addition to monetary policy, the Federal Reserve is charged with the safety and soundness of the financial system. I weathered the banking and thrift crisis and wrote my checks to restore the FDIC fund. In more than 25 years of teaching, I have probably taught over 3,000 bankers and bank examiners the basics of sound banking practices. The importance of safety and soundness in our banking system is a part of my DNA. It is the most important experience I could bring to the Federal Reserve.

The Fed has sole responsibility for consumer protection regulations governing regulated and non-regulated financial service providers. I look forward to reviewing the comments, research, and work already underway with respect to sub-prime lending regulations and guidance.

And I believe I can bring some relevant experience to the process. I worked with the Virginia banking commission when they were first given responsibility for supervision of non-bank mortgage lenders after the collapse of one of the most predatory lenders I have ever seen.

As Chairman of the American Bankers Association, I worked with bankers and regulators in all states on numerous regulatory matters. I don’t believe we can solve the sub-prime issue without cooperation and coordination across the full spectrum of regulation, supervision, and enforcement of all mortgage loan participants. I would welcome the opportunity to lead such an effort.

The role of the Federal Reserve in our nation’s payment system doesn’t have the headline cache of monetary policy or consumer regulation, yet I believe it has every bit as much of an impact on the everyday lives of the American consumer. We are in the midst of a payment revolution with evolving technology and the passage of Check 21. I would hope to be actively involved with the payment infrastructure as well as modernization of the rules and regulations governing payments.

Finally, service on the Federal Reserve Board would feed my passion for financial education. I have been in the classroom, raised money to teach the teachers, conducted awareness media tours, and lobbied for curriculum changes. All of our work on consumer disclosure will be in vain if we don’t raise a generation of consumers who can use those disclosures to make good financial choices.

Thank you for allowing me this time. I look forward to your questions.