

**Statement of J. Mark McWatters
Nominee for Board Member
National Credit Union Administration**

**Nominations Hearing before the Senate Committee on
Banking, Housing, and Urban Affairs**

March 13, 2013

Chairman Johnson, Senator Crapo, and Members of the Committee, thank you very much for the opportunity to appear before you today as a nominee for the National Credit Union Administration Board.

My wife, Denise, and our two teenage sons, Clark and Parker, were unable to join me today, but they are watching over the internet. My sons were intrigued by the prospect of a televised job interview and were reassured that such an approach is rarely adopted by other employers. In particular, I wish to thank Denise for her enthusiastic and tireless support in this endeavor and over the last 30 years.

It is an honor and a privilege to be nominated to the NCUA Board, and if confirmed, I will do everything within my power to fulfill the trust placed in me by the President and the U.S. Senate. I'm especially grateful for Minority Leader Mitch McConnell's recommendation of me to the President for this position.

Through my education and work, I have developed a broad knowledge of the financial services industry and an understanding of the heavy responsibilities of regulators. NCUA plays a critical role as a regulator and insurer to protect the hard-earned savings of more than 96 million Americans in an industry with more than \$1 trillion in assets. If confirmed, I will work diligently to ensure the continued integrity and safety and soundness of our nation's credit union system in an ever-evolving marketplace.

On my qualifications, I currently serve Southern Methodist University in three roles: as the Assistant Dean for Graduate Programs, as a Professor of Practice at the Dedman School of Law, and as an Adjunct Professor at the Cox School of Business. As a teacher, I have found that my students and I often benefit from the vigorous discussion of judicial holdings and problem sets. Although we may initially approach an issue from divergent perspectives, the process of debating a challenging matter in a transparent and analytical, yet collegial, manner often produces common ground and a workable consensus.

I also currently serve as an uncompensated member of two public entities. Since March 2012, I have served on the Governing Board of the Texas Department of Housing and Community Affairs, which assists in the financing of approximately \$1 billion of affordable housing units per year. Since September 2012, I have also served on the Advisory Committee of the Texas Emerging Technology Fund, a \$400 million-plus state venture capital and job creation fund. My work with both bodies focuses primarily on the oversight of taxpayer-funded resources and, if confirmed, should directly translate to my responsibilities on the NCUA Board.

Previously, I practiced law for more than 20 years, most of that at the partner level. My private sector experience with three well-known international law firms covered tax law, corporate finance, and domestic and cross-border mergers and acquisitions. I also served as the tax and merger and acquisition counsel to a cross-border investment firm.

Additionally, I have government experience, clerking for a judge on the U.S. Ninth Circuit Court of Appeals in Los Angeles and briefly serving as counsel to Congressman Jeb Hensarling. From this latter position, I was appointed to serve on the Troubled Asset Relief Program Congressional Oversight Panel. In this role, I was privileged to work alongside someone who now serves on this Committee, Senator Elizabeth Warren.

While on the TARP Congressional Oversight Panel, I sought to balance and respect different perspectives, and reach consensus based upon a set of overarching principles, just like I now practice in the classroom. Ultimately, my colleagues and I worked to produce an accurate, non-partisan analysis of the TARP and the financial crisis.

I'm pleased that of the 15 reports the panel issued in my tenure, 14 were unanimous. We achieved this result by working together in an open and respectful manner, with the goal of finding a common ground and working cooperatively through any differences. If confirmed by the Senate, I will bring this same approach to my work with my NCUA Board colleagues, NCUA staff, state regulators, and external stakeholders.

In my legal practice, I have often found that the fundamental issues create the most opportunity for concern. For example, does a proposed transaction generate sufficient cash flow? Does a tax structure have economic substance and business purpose?

Likewise, in assessing the risks inherent within financial institutions, I have learned that it's the basic issues that lead to the difficult questions. For example, do financial institutions have the capital, liquidity and risk mitigation programs necessary to operate in an unexpectedly adverse economic environment? And are their financial statements transparent and understandable, so that it's possible to assess their business strategies and contingent liabilities?

In answering these questions, lawyers and regulators need to take a step back and apply the law with impartiality and look at the larger picture. They also need to think both tactically and strategically, always considering not just the desired outcome, but potential unintended consequences.

I am convinced that regulators should remain mindful that the root causes of seemingly intractable problems are often embedded not in the esoteric, but in the commonplace. As such, my focus as a regulator will remain straightforward: Don't neglect the fundamentals of capital, liquidity, and transparency, and always remember that the greatest threat to a financial system may reside where you least expect it—hidden within plain view.

Additionally, my experiences in the private and public sectors have taught me valuable lessons on leadership and responsibility, including the importance of: finding common ground, paying attention to the fundamentals, earning trust, and never forgetting that real people are affected by your decisions. As a result, these experiences have provided a solid foundation and comprehensive skill set for evaluating the important policy issues now facing the NCUA Board.

If confirmed, I will bring my 30-plus years of legal experience, accounting training, general understanding of the broader financial markets, an open mind, and a risk-based, market-oriented, targeted and transparent regulatory perspective to address the increasingly complex and sophisticated issues facing credit unions. Even more so, I will aim to balance competing viewpoints while maintaining the safety and soundness of the credit union system, safeguarding the Share Insurance Fund, enforcing consumer protection rules, and protecting taxpayers and credit union members from losses.

Thank you for the opportunity to appear here today, and for this opportunity to again serve my country. I am happy to answer any questions you may have.
