



NCUA Media Release

Matz Proposes Strategy to Forge Stronger Credit Union System

San Francisco Speech Updates Corporate Resolution; Reinforces Need to Assess Risk, Act Responsibly, Revitalize Membership Base

ALEXANDRIA, Va. (June 30, 2011) – National Credit Union Administration (NCUA) Board Chairman Debbie Matz today outlined the four elements of a strategy to forge a stronger and more resilient credit union system: Resolution; Risk; Responsibility; and Revitalization.

Resolution

Speaking at the National Association of Federal Credit Unions' 44th Annual Conference in San Francisco, Matz summarized the current status of the corporate resolution process, highlighting the more than \$28 billion raised through re-securitization of failed wholesale credit union assets. Speaking directly to retail credit union leaders, she said, "This unprecedented initiative on the part of NCUA has been a resounding success for us, but more importantly, for you."

Looking forward, she said NCUA will wind down the bridge corporates and that credit unions will soon be unshackled from the corporate crisis.

"By taking swift action, NCUA resolved some of the most pressing problems that resulted from huge risks – risks that not only threatened select credit unions, but the industry itself," she said, posing the question to what extent risk still jeopardizes credit unions.

Risk

While NCUA has mitigated risk from the corporate credit union system through effective regulatory actions, consumer credit unions are currently reviewing a proposed rule on interest rate risk, and the Board may issue a proposed rule on investment risk, she said. Such rules would ensure credit unions do not over-concentrate investments in high-risk securities—a lesson learned in the corporate crisis.

Another area of risk is NCUA's inability by law to enforce standards over credit union service organizations (CUSOs), which provide important services to credit unions and consumers.

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Responsibility

–Management and boards of credit unions must conduct due diligence even when doing business with well known vendors,” said Matz. –By that I mean, you have to question their decisions and closely monitor their actions on your credit union’s behalf. You need to look as closely at risk as we do. In the past, we’ve seen risky actions taken by CUSOs quickly compound into crises. With your cooperation, we can minimize these situations in the future.”

Specifically, she said it is the responsibility of all credit union leaders to act with due diligence when choosing a corporate partner, monitoring third-party vendors and CUSOs, and ensuring volunteer board members maintain requisite financial knowledge.

Revitalization

Lastly, Matz focused on revitalizing the credit union movement through effective outreach to younger generations. –The most successful credit unions in the days ahead will be the ones that not only effectively manage their risks, but also effectively market to new members,” Matz said. –Right now, a huge potential market is being underserved by credit unions: younger consumers.”

The average age of credit union members is up to 47 – several years past the peak borrowing ages of 25 to 44. –To survive in the future,” Matz said, –credit unions must begin attracting more members who are younger than the current peak borrowers.” Yet the percentage of credit union members ages 18-24 has shrunk to just 4 percent of membership.

–Today’s younger market expects services like mobile banking, ATM fee rebates, and online bill-paying,” she said. –They expect to be able to open accounts and be approved for loans online. They expect immediate customer service 24/7 in real time. And they want to be able to make deposits using their iPhones.”

For example, Matz suggested, credit unions need to have a presence in social media to connect to tech-savvy potential members on their own turf and speak to them in their own language. –Such technologies are the tools that are redefining _community’ for a new generation. If you can take your traditional member service and marry it with today’s cutting-edge technology, then you’ll have unlimited potential for a more prosperous tomorrow.”

For the text of the speech, visit: [click here](#).

NCUA is the independent federal agency created by the U.S. Congress to regulate, charter and supervise federal credit unions. With the backing of the full faith and credit of the U.S. Government, NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of more than 90 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

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