Statement of Gigi Hyland, former NCUA Board Member

My service on the NCUA Board occurred during the heart of the financial crisis ignited by faulty mortgage-backed securities. I and my colleagues on the Board placed five corporate credit unions into conservatorship and ultimately into liquidation because of the risks to the entire credit union system posed by greatly devalued mortgage-backed securities.

The credit union system is by its nature cooperative and interdependent. To pay for the losses from these corporate credit union failures, NCUA had to make the difficult decision to assess all federally insured credit unions. Simultaneously, the NCUA Board and senior staff explored every reasonable option within its power to investigate and seek recovery from the parties that caused these losses. One aspect of this effort was a decision to enter into a contingency fee arrangement between the Conservator and later the Liquidating Agent for each of the failed corporate credit unions and two law firms that investigated and initiated multiple legal actions to offset the losses caused by mortgage-backed securities. The agency did not have the resources on its own to conduct such investigations.

The likelihood of success of that decision, at the time, appeared remote, but the NCUA Board believed it was imperative to investigate and pursue recovery of the losses. This decision ultimately was successful and yielded recoveries of $3.2 billion and counting. Had the NCUA Board not retained these law firms, there would have been no recoveries and all federally insured credit unions would have had to pay much more and for a longer term in annual special assessments to resolve the corporate crisis.