

Statement of Debbie Matz, former NCUA Board Chairman

My tenure as NCUA Chairman came in the wake of the financial crisis ignited by faulty mortgage-backed securities. Shortly before I took office as Chairman, the NCUA Board placed two corporate credit unions into conservatorship because of the risks posed by greatly devalued mortgage-backed securities. Ultimately, the Board took the necessary step of placing three additional corporate credit unions into conservatorship and subsequently placing all five into liquidation.

The enormous losses resulting from the corporate credit union failures imperiled the entire credit union system. Because of the cooperative nature of the credit union system, NCUA had to make the difficult decision to assess all federally insured credit unions to pay for these losses. At the same time, NCUA took every reasonable measure within its power to investigate and pursue avenues for recovery from the parties that caused these losses. One key part of this effort was 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. At the time, the likelihood of prevailing seemed remote and NCUA did not have the resources to conduct this investigation in-house. During my tenure as Chairman, this decision yielded significant recoveries, \$3.2 billion and counting. Had we not retained these law firms, there would have been no recoveries and all federally insured credit unions would have had to pay much more to resolve the corporate crisis.